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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

PERU

PROJECT PAPER

DISASTER RELIEF AND REHABILITATION

AID/LAC/P-151

Project Number: 527-0277
Loan Number: 527-W-082

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
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2. COUNTRY/ENTITY PERU	3. PROJECT NUMBER 527-0277
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4. BUREAU/OFFICE Latin America and Caribbean	5. PROJECT TITLE (maximum 40 characters) Disaster Relief and Rehabilitation
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 06 30 86	7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 83 B. Quarter 4 C. Final FY 84
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 83			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(3580)	(2420)	(6000)	(3580)	(2420)	(6000)
(Loan)	(1096)	(2904)	(4000)	(1096)	(2904)	(4000)
Other U.S.						
1.						
2.						
Host Country		1114		-	2700	2700
Other Donor(s)						
TOTALS	4676	6438		4676	8024	12700

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECIL CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	900	940				2000		6000	
(2) SDA	900		940				3000		4000
(3)									
(4)									
TOTALS						2000	3000	6000	4000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE 930
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)							
A. Code	BR	BU					
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

To establish and make operational a coordinating unit and a reconstruction fund through the financing and implementation of technical assistance and emergency relief and rehabilitation activities in the northern flood areas, southern sierra drought areas, and disaster related projects in other areas of the country.

14. SCHEDULED EVALUATIONS Interim MM YY 12 84 MM YY 09 85 Final MM YY 06 86	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input checked="" type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

17. APPROVED BY	Signature <i>John A. Sanbrallo</i> John A. Sanbrallo Title Mission Director	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION Date Signed MM DD YY 07 27 83
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PROJECT AUTHORIZATION

Name of Country: Peru
Name of Project: Disaster Relief and Rehabilitation
Number of Project: 527-0277
Loan Number: 527-W-082

1. Pursuant to Sections 106 and 492(b) of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Disaster Relief and Rehabilitation project for Peru involving planned obligations of not to exceed Four Million United States Dollars (\$4,000,000) in loan funds ("Loan") and Four Million United States Dollars (\$4,000,000) in grant funds ("Grant") over a three (3) year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is three years from the date of initial obligation.

2. The project ("Project") consists of making operational a coordinating unit and a reconstruction fund through the financing and implementation of technical assistance and emergency relief and rehabilitation activities in the northern flood areas, southern sierra drought areas, and disaster-related projects in other areas of Peru.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in U.S. Dollars within twenty five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Commodities, Nationality of Services (Loan)

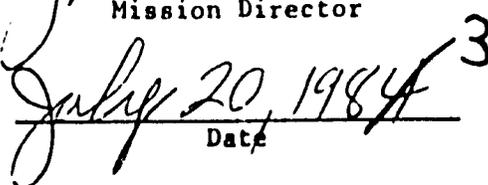
Commodities financed by A.I.D. under the Loan shall have their source and origin in Peru or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Loan shall have Peru, the United States, or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall be financed only on flag vessels of Peru or countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

c. Source and Origin of Commodities, Nationality of Services (Grant)

Commodities financed by A.I.D. under the Grant shall have their source and origin in Peru or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Grant shall have Peru or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

d. Reimbursement

I hereby approve the use of A.I.D. Project funds to finance eligible Project costs related to emergency relief and rehabilitation activities, technical assistance, disaster-related subprojects and other Project costs incurred on or after June 17, 1983.


Mission Director

Date

Clearances:

DD:GHill: (in draft)
DR:GWachtenheim: (in draft)
PROG:RMaushammer: (in draft)
CONT:MRogal: (in draft)
CD:EKudunc: (in draft)

Drafted by: SLMATGeiger: pdc

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DISASTER RELIEF AND REHABILITATION
Project No. 527-0277

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I. SUMMARY AND RECOMMENDATIONS

A. Facesheet

B. Recommendations

1. The Project Development Committee recommends that a concessional loan be authorized to the Government of Peru (GOP) in the amount of \$4,000,000 with a 25-year term including a 10-year grace period, and at 2% interest during the grace period and 3% thereafter.

2. The Project Development Committee also recommends that a grant be approved in the amount of \$6,000,000.

C. Background

The wayward warm water current called "El Niño" has disrupted weather patterns along the coast of Peru causing unusually heavy rains in the north and drought in the south. For over six months, rains have caused continuous flash flooding, mudflows, and landslides in the northern coastal and central areas of Peru. In the southern areas of the country (Puno and neighboring departments) there is widespread drought. Over population and environmental degradation of these zones by deforestation, overgrazing, and other inappropriate land uses aggravated the damage provoked by the weather. To date, floods and drought have led to the loss of over one million tons of agricultural production and a second crop cycle may be lost because of the continuation of heavy rains and drought. The crop damage caused by the drought will also affect subsequent production in the poorer southern sierra for at least a two to three year period. The abrupt weather change has also brought dramatically decreased fish catches. Flooding has caused extensive damage to infrastructure; some cities in northern Peru have been isolated from land transport for many months and they can now only be supplied with emergency food, medicines, and fuel by air.

These disaster conditions came just as Peru is encountering one of its most serious economic crises in this century due to the worldwide recession and depressed prices for its major exports. The country has been forced to renegotiate its foreign debt which will greatly limit future borrowings from private and public sources. An IMF agreement has imposed strict limitations on the GOP budget. Widespread unemployment, high rates of inflation, and growing social and political tensions have resulted. In the face of losses of both domestic revenue and foreign exchange, GOP expenditures must at the same time dramatically increase in 1983-84 to meet emergency relief, rehabilitation, and reconstruction needs.

D. Problem, Rationale, and Strategy

The abrupt weather change which has brought the heavy rains in the north and drought in the south has caused: (1) Dramatically decreased fish catches as fish moved further from the Peruvian coast, away from the high water temperatures in the "El Niño" current; (2) On the north coast, torrential rains, flooding, landslides and attendant crop losses, and physical

infrastructure damage estimated at over \$625 million; (3) Heavy rains in some areas of the sierra which have led to crop losses, landslides, and infrastructure damage. In the southern sierra centered around the Department of Puno, extreme drought has resulted in heavy crop losses and decreases in livestock herds. Total losses, according to estimates made in mid-May, are given in the range of \$750 million. Later estimates have indicated losses in the range of \$1.1 billion.

The number of people directly affected by these natural disasters is estimated roughly at one to two million including: 160,000 whose homes have been destroyed or damaged; 550,000 whose agricultural production has been seriously affected by drought, flooding, or landslides; and 490,000 affected by other serious aspects of the disaster--those cut off from markets and services by landslides, industrial workers in damaged plants, etc. Hundreds of thousands who have been affected more passively by standing water, disturbed potable water service, and interrupted electricity and sewage service. Millions of poor Peruvians will suffer tremendously from higher prices on staple foods. Overall, virtually all Peru's population will be materially affected by these disasters and by disaster-induced inflation.

There is an urgent need for dollar and local currency funds to meet the relief, rehabilitation, and reconstruction requirements. However, of equal concern has been the government's approach to dealing with the disaster; the GOP's response has been ad hoc and slow to take form. More recently, with the growing awareness of the extent of the destruction and the fact that the rehabilitation effort could take several years, the GOP created a more permanent mechanism which will allow it to more effectively deal with the problem of disaster relief, rehabilitation, and reconstruction activities.

The magnitude of the disaster relief and rehabilitation effort demands that decision-makers be presented with a clear strategy for addressing the current disaster and its consequences, and sufficient funding to allow them to respond to the highest priority problems. Rehabilitation and reconstruction projects should flow from this strategy and prioritization of the individual projects should indicate how the scarce resources can best be used to make the affected areas productive as fast as possible while reconstruction of needed public infrastructure and housing also takes place.

The AID Project proposed herein will focus on providing fast disbursing resources to develop Peru's capacity to better coordinate and implement reconstruction activities and to finance emergency relief and rehabilitation activities. The Project will serve as a bridge into the longer-term reconstruction program. It will provide necessary resources to begin building and expanding institutional capacity within the GOP and to strengthen the PVOs, while also financing emergency relief and rehabilitation activities that cannot await PL-480 local currency generations and approvals of larger amounts of Disaster Assistance. Thus this Project will help provide the implementing capacity for more rapidly channeling other resources (e.g. PL-480 local currency generations, AID Disaster Assistance, GOP resources, and other donor contributions) to reconstruction activities once these resources become available.

At the same time, the Project will provide fast disbursing emergency resources that can be made available immediately for relief activities. The Project will act as a catalyst through the provision of \$4.0 million in DA loan resources and \$4.0 million in DA grant funds to the GOP. An additional \$2.0 million in Grant funds will be provided through OPGs to the PVOs working in relief and emergency food programs. Of the total AID project costs of \$10.0 million, \$5.0 million will be provided immediately, followed by the other \$5.0 million later in FY-1983 or early-1984, depending on the availability of additional funding.

The Project will also encourage the GOP to seize opportunities for natural resource development that have resulted from this year's unusual weather conditions. In the north these include recharged surface and groundwater supplies, vast areas of naturally regenerated forests, and increased shrimp populations in some coastal areas. Analogous opportunities may arise in the south after the drought ends.

AID has a unique opportunity to make a significant contribution to the Peruvian reconstruction program and to fill vital gaps that cannot be met by any other donor agency. No other donor agency has the extensive experience that AID has had in emergency relief and reconstruction activities. Likewise, USAID has in-country a highly competent US and Peruvian professional staff that can help facilitate the faster and more effective implementation of reconstruction activities. With adequate financial resources, the USAID staff will be able to assist the GOP better direct resources to critical problem areas.

E. Project Description

1. Project Goal and Purpose

The goal of the Project is to assist the rural and urban population recover from the devastating effects of the natural disasters which occurred in Peru during the first six months of 1983 and which are still ongoing.

The purpose of this three-year Project is to establish and make operational a coordinating unit (i.e. a Project Office) within the newly created National Development Institute and a reconstruction fund through the financing and implementation of technical assistance and emergency relief and rehabilitation activities in the northern flood areas, southern sierra drought areas, and disaster-related projects in other areas of the country. This Office will be established to prioritize, coordinate, allocate resources, and supervise implementation of all disaster relief and reconstruction activities and to channel to the affected areas disaster relief funds and supplies from the GOP, other Peruvian public and private agencies and individuals, and bilateral and multilateral donors. Implementation will be carried out principally by the Departmental Development Corporations, and by central Ministries and other public and private agencies.

The Project Office will establish resource allocation procedures and environmental analysis capabilities in order to carry out a review process for all subprojects funded from DA, Title I and II local currency generations, and other donor and Peruvian private and public sector sources. This strategy will focus implementation and execution at the departmental level, but allow the central government to coordinate the various projects.

Technical assistance will be provided to the national Project Office, six departmental development corporations (Tumbes, Piura, Lambayeque, La Libertad, and Ancash in the north and Puno in the south) and possibly other public and private agencies.

2. Project Outputs

By the end of the Project, the Project Office will be able to evaluate, prioritize, and supervise the execution of disaster relief and rehabilitation projects. The Office's cadre of trained individuals at the technical and executive levels will have generated funds from local and international sources to finance disaster relief and rehabilitation activities, and will have planned and implemented the corresponding projects. The Office will have coordinated the implementation of subprojects financed by the Project whose value exceeds \$4.2 million, as well as other projects financed by the GOP, and other bilateral and multilateral sources, and public and private Peruvian sources. As a result, it will have the capability to effectively supervise the use of the Title I and II local currency generations and the additional Disaster Assistance resources which the Mission expects to make available.

USAID will be closely involved initially in the subproject review and approval process. As the Project Office reaches organizational strength and the long-term technical advisors have begun providing assistance, AID's direct involvement will be reduced to insure that only disaster-related subprojects are being funded under the Project and that appropriate environmental guidelines have been applied to the design of these.

3. Project Activities

a. Technical Assistance (Grant \$4,000,000; Loan \$1,000,000)

The Project will provide \$3,080,000 to fund eight long-term advisors: six advisors for each of six Departmental Development Corporations, one national-level project advisor, one environmental advisor. Two project implementation specialists to assist the GOP in monitoring the disaster programs will also be funded. In addition, the Project will provide \$420,000 in grant funds for short-term technical assistance in special priority areas and \$1,000,000 in loan funds and \$500,000 in grant funds for local consulting services for the six participating DDCs.

b. Operational Support (Loan \$950,000; GOP \$500,000)

The project will provide \$950,000 in Loan funds and \$500,000 in GOP counterpart funds to finance the costs of personnel, vehicles, office equipment, and other support costs, for the National Development Institute, the Ministry of Economy, Finance and Commerce, and the Departmental Development Corporations.

c. Subprojects (Loan \$2,050,000; GOP \$2,200,000)

The Project will finance priority disaster relief and rehabilitation projects in the northern flood area, southern drought area, and in other areas not in the disaster zones but which are affected by the disasters.

d. Private Voluntary Organizations (Grant \$2,000,000; GOP \$640,000)

In addition, through separate OPG agreements the Project will provide funding to PVOs to carry out priority activities under the Project, including emergency transportation and distribution of food aid, provision of temporary shelter, public health campaigns, land potable water supply and system repairs, among other activities.

F. Summary Financial Plan

<u>Component</u>	<u>A. I. D.</u>			<u>GOP</u>	<u>Grand Total</u>
	<u>Grant</u>	<u>Loan</u> (US\$000)	<u>Total</u>		
I. Technical Assistance and Operational Support - GOP					
A. Technical Assist.	<u>4,000</u>	<u>1,000</u>	<u>5,000</u>		<u>5,000</u>
- Short-term	420	-	420	-	420
- Long-term	3,080	-	3,080	-	3,080
- Local Consulting Firms	500	1,000	1,500	-	1,500
B. Operational Support					
- Personnel, Vehicles, Office Equip. and Others	-	950	950	500	1,450
II. Disaster Relief and Rehabilitation Sub-projects	-	2,050	2,050	2,200	4,250
III. Operational Support - PVOs					
- Personnel, Vehicles, Office Equip., Transportation & Others	2,000	-	2,000	640	2,640
TOTAL	<u>6,000</u>	<u>4,000</u>	<u>10,000</u>	<u>3,340</u>	<u>13,340</u>
	-----	-----	-----	-----	-----
			75%	25%	100%

G. Summary Findings

The Project Development Committee has reviewed all aspects of the proposed Disaster Relief and Rehabilitation Project and finds that it is institutionally feasible, financially, economically, and socially sound, and consistent with the development and disaster relief objectives of the GOP and the USAID Mission.

H. Project Development Committee

Loan Officers:

**Edward L. Kadunc
George Wachtenheim
Mary Likar**

Engineering Officer :

**Cesar Espino
Edilberto Alarcón**

Program Officer:

Robert Maushammer

Controller:

Michael Rogal

Regional Legal Advisor:

Thomas Geiger

Agriculture & Regional Dev. Officers:

David Bathrick

David Flood

Food for Development Officers:

Gerald Foucher

Health, Nutrition & Education Officer:

Norma Parker

II. BACKGROUND

A. Country Setting

The wayward warm water current called "El Niño" has disrupted weather patterns along the coast of Peru causing unusually heavy rains in the north and drought in the south. For over six months, rains have caused continuous flash flooding, mudflows, and landslides in the northern coastal and central areas of Peru. In the southern areas of the country (Puno and neighboring departments) there is widespread drought. In both sections of the country, excessive population pressure and degraded environmental conditions have aggravated the effects of the weather. Deforestation, overgrazing, and cultivation of steep lands in the north worsened floods and landslides and the destruction they brought. Overgrazed pastures and range lands in the south suffered quickly from the drought compelling herdsmen to sell their herds. Absence of soil conservation measures contributed to increased flooding and erosion in the north and lowered drought resistance in the south.

To date, floods and drought have led to the loss of over one million tons of agricultural production and a second crop cycle may be lost because of the continuation of heavy rains and drought. The crop damage caused by the drought will also affect subsequent production in the poorer southern sierra for at least a two to three year period. The abrupt weather change has also brought dramatically decreased fish catches as fish have moved further from the Peruvian coast away from the high water temperatures of the "El Niño" current. Flooding has caused extensive damage to roads, irrigation systems, urban infrastructure, housing, health facilities, schools, airports, petroleum production, and distribution pipelines, fishing facilities, and small and large businesses. Some cities in northern Peru have been isolated from land transport for many months, and they can now only be supplied with emergency food, medicines, and fuel by air.

These disaster conditions came just as Peru is encountering one of its most serious economic crises in this century due to the worldwide recession and depressed prices for its major exports. The country has been forced to renegotiate its foreign debt which will greatly limit future borrowings from private and public sources. An IMF agreement has imposed strict limitations on the GOP budget. Widespread unemployment, high rates of inflation, and growing social and political tensions have resulted. There is a liquidity crisis in both the public and private sectors. Many development projects have been stopped because of a lack of GOP budgetary resources. There have been several bank failures and many Peruvian companies are encountering serious financial difficulties. Domestic tax revenues are falling by \$200 million because of disruptions caused by the disasters. As of May 20, the disasters have caused a loss of at least \$200 million in foreign exchange because of disruptions of petroleum production and exports alone, as well as lower fish catches, loss of agricultural export crops, particularly sugar, and the unexpected need to import food destroyed by floods and drought. In the face of these domestic revenue and foreign exchange losses, GOP expenditure must at the same time dramatically increase in 1983-84 to meet emergency relief, rehabilitation, and reconstruction needs.

B. Macro-Economic Overview 1/

The GOP is struggling with a serious economic crisis, debt renegotiations, flood and drought disasters, and a nagging terrorist movement. Strikes are increasing as affected Peruvian groups complain about the economic crises and the slow GOP response to the disasters. These crises could seriously disrupt Peruvian democracy and impair U.S.-Peruvian relations which have been among the friendliest to the United States in Latin America. These problems could also jeopardize the excellent policy reforms and private sector development strategy introduced by the Belaunde Government. Clearly, Peru is in trouble and requires urgent disaster assistance from the USG. Given the gravity of the situation, there is an urgent need for rapid action.

1. Current Economic Situation

The economy of Peru is in the midst of a severe recession. Unfortunately, this recession has occurred at a time when the current administration was attempting to improve the performance of the economy by structurally shifting from a controlled economy to a liberalized one premised on market forces. However, since the elections in 1980, the domestic recession and stagnant worldwide economic conditions have seriously disrupted the Peruvian economy and slowed down many of the GOP's most important new development initiatives.

Domestically, the recession has led to a large number of closed plants, extremely low rates of capacity utilization, bankruptcies, and several bank failures. Unemployment exists in virtually all sectors of the economy but the lack of accurate statistics and the existence of the informal sector mask the extent and magnitude of that hardship. The negative effects of the recession ignore geographical boundaries and extend beyond Lima to the outer provinces, creating an overall depressed domestic market.

The recessed international market has also had negative impact on Peru. In the past Peru has exported as much as 25 percent of the value of its national product, but the weakened condition of demand in international markets severely curtailed exports to virtually all of its trading partners. As a result Peru will be unable to generate sufficient foreign exchange to meet its increasing dependence on imports. The domestic and worldwide recession has been compounded by the crisis caused by natural disasters in Peru during 1981.

2. Economic Policy Dilemma

The current problems confronting the economic policy makers of the Belaunde Administration are the following:

- Significant crop losses will require large food imports over the next year.

1/ Sources: Coopers & Lybrand "Peru-USAID Strategy for Economic Development", May 1981.

Preliminary estimates indicate that during the first quarter of 1983, GDP dropped at an annualized rate of 10%. Other estimates for the year as a whole range from 4 to 8 percent, although it is clear that a continuation of the disaster could further reduce the level of economic activity for the year as a whole.

- Inflation rates, which have been between 70 and 80 percent (at annualized rates) for the last several years, increased dramatically the first months of 1983 to an annualized rate in excess of 100 percent.

- Limited foreign reserves for the Government to draw upon to pay its bills or to finance government debt.

- A need to reduce government expenditures and bring them in line with revenues, thereby reducing the size of the government deficit.

- Growing unemployment that is increasing social and political tensions.

- Natural disasters in the form of storms, flooding and mud slides in the northern and central parts of Peru, and drought in the southern areas that are estimated to have already caused losses of over \$700 million.

In attempting to address these problems, the Government faces a dilemma. On the one hand, there is an immediate and substantial need to increase government expenditures to counter the impact of the floods and drought. Yet, on the other hand, the Government must reduce expenditures and minimize its deficits to avoid hyper-inflation and a worsened economic situation. The current economic situation and natural disasters have diverted the attention of economic policymakers from their long-term economic development model to very short-term reactions to crises. These short-term crises now threaten the political stability and the very viability of the Peruvian development strategy and the country's democratic government.

3. Summary

Unexpected economic hardships internal to Peru as well from the international economic situation have been thrust upon the Belaunde government. These include containment of inflation, reducing the balance of payments and government deficits, and restructuring and reducing the government debt. Until the international market place improves significantly and until the prices of the basic commodities emerge from their low levels, the fiscal crisis remains and will continue to be a major constraint to development and to meeting the financial requirements of the disaster.

C. Project Setting

Heavy rains, mudslides, and flooding have affected the northern coastal areas of Peru since January. Flooding, mudflows, and landslides have seriously disrupted five departments (Tumbes, Piura, Lambayeque, La Libertad, and Ancash). Flooding has affected the major coastal cities of Tumbes, Piura,

Chiclayo, Trujillo, and Chimbote. Large portions of the rural areas of these departments remain isolated. The departments of Tumbes and Piura are the hardest hit, but nearly seven months after the disaster began, it is still difficult to evaluate fully the magnitude of the damages in the rural areas of each department due to extremely limited accessibility.

The drought in the south is centered in the department of Puno, one of the poorest areas in Peru. However, drought conditions also extend into portions of adjacent departments of Tacna, Arequipa, and Cuzco, as well as other areas in the southern sierra. While the northern rains have disrupted one of Peru's richer agricultural areas, the drought is further worsening the extreme poverty conditions in the southern sierra.

In addition, landslides have blocked major roads leading from agricultural production areas not directly affected by the northern floods and southern drought. These blocked roads are limiting Peru's ability to get food from agricultural surplus areas (e.g. Tarapoto) to Lima and other areas. Almost the entire road system in the northern and central part of Peru has been affected by either floods or landslides.

Current local weather predictions indicate that northern rains may continue for most of the rest of this year, rather than tapering off as the normal cooling of May to October takes place. Indeed, temperatures along all of the Peruvian Pacific coast remain above normal. Water temperatures along the coast, which influence this weather pattern, are eight degrees C higher than normal. Some experts are now predicting that this higher water temperature will persist throughout the year and that heavy rains may continue throughout much of 1983. There are even indications that with the advent of summer in January 1984, these abnormal temperatures will rise even higher causing even more rains and flooding next year than has been experienced so far. As the rains continue, damage increases.

Likewise, there is no clear indication of when the drought will end in the southern sierra. Historically, major droughts in this area have extended over a number of years. As the southern drought and northern rains continue, damages and human suffering will further increase.

D. The Problem

The abrupt weather change which has brought the heavy rains in the north and drought in the south has caused: (1) Dramatically decreased fish catches as fish moved further from the Peruvian coast, away from the high water temperatures in the "El Niño" current; (2) On the north coast, torrential rains, flooding, landslides and attendant crop losses, and physical infrastructure damage estimated at over \$625 million; (3) Heavy rains in some areas of the sierra (accompanied in different places by hurricane-force winds or hail) which have led to crop losses, landslides, and infrastructure damage. In the southern sierra centered around the Department of Puno, extreme drought has resulted in heavy crop losses and decreases in livestock herds. Total losses, according to estimates made in mid-May, are given in the range of \$750 million.

The number of people directly affected by these natural disasters is estimated roughly at one to two million including: 160,000 whose homes have been destroyed or damaged; 550,000 whose agricultural production has been seriously affected by drought, flooding or landslides; and 490,000 affected by other serious aspects of the disaster--those cut off from markets and services by landslides, industrial workers in damaged plants, etc. Excluded are the hundreds of thousands who have been affected more passively; such as by standing water, disturbed potable water service, and interrupted electricity and sewage service. Most certainly excluded are the millions of poor Peruvians whose budgets will suffer tremendously from higher prices on staple foods. It is safe to say that, overall, virtually all Peru's population will be materially affected by these disasters and by disaster-induced inflation.

As the government organizes to meet the challenge of the disaster, heavy rains continue in areas of the north coast of Peru, as does the drought in the south. Losses continue to increase. As of May 20, total losses are estimated to be as follows:

	<u>In Millions of Dollars</u>
1. Petroleum Production Lost	\$ 250
2. Petroleum Infrastructure Damage	\$ 60
3. Agricultural Production	\$ 170
4. Other Infrastructure	
a. Roads and Telecommunications	\$ 115
b. Housing and Urban Services	\$ 105
c. Agricultural Infrastructure	\$ 28
d. Other	\$ 10
Total	\$ 738 million ^{1/}

There is an urgent need for dollar and local currency funds to meet the relief, rehabilitation, and reconstruction requirements. However, of equal concern has been the government's approach to dealing with the disaster; the GOP's response to the natural disaster has been ad hoc and slow to take form. Initially in January, the Civil Defense Directorate, a part of the Civil Guard (one of the three branches of the Peruvian police), was charged with prime responsibility for disaster relief, with each Ministry responding to the degree it had available resources. Later in April, as it became apparent that the problem was larger than originally thought and more than just a short-term phenomenon, the President appointed the head of the Materials Bank as a temporary special coordinator for the Department of Piura. More recently, with the growing awareness of the magnitude of the destruction and the fact that the rehabilitation effort could take several years, the GOP created a permanent mechanism which will allow it to more effectively deal with the problem of disaster relief, rehabilitation, and reconstruction activities. This has taken the form of a coordinating unit in the Ministry of Economy and Finance and a Project Office within the newly created National Development Institute, with the president of the Materials Bank being named director of the Institute.

^{1/} More recent estimates by the President of the Central Reserve Bank place production losses and damages (as of mid-June) at over \$900 million. Statements by the Director of the National Planning Institute in early July place the figure at over \$1.0 billion.

E. Constraints

The major constraints facing the GOP are a lack of financial resources, the deepening economic crisis, the continuing rains in the north and drought in the south, and the need to further develop and make operational a relief and reconstruction coordinating and implementing mechanism that can more quickly accelerate disaster relief and reconstruction efforts. Seven months after the beginning of flooding in the north and drought in the south, the GOP is just beginning to organize itself in a way that will allow it to respond more effectively to the magnitude of the disaster. Funding, however, is a major constraint.

Equally, as serious as the scarcity of financial resources has been the lack of operational planning and priority setting regarding decisions on resource allocation. Rehabilitation projects are currently under consideration--or in some cases have already been authorized--as a result of which the government has committed considerable levels of extremely scarce resources. However as the need for resources expands, higher priority must be assigned to developing, planning, and prioritizing projects and developing mechanisms for more rapidly implementing these projects at the local level.

F. AID Response to Date 1/

In response to the disaster relief and rehabilitation requirements, the U.S. has committed nearly \$750,000 of OFDA disaster funds, diverted PL-480 Title II resources worth \$700,000, and reprogrammed Development Assistance (DA) loans of \$1.1 million and HG projects worth \$1.0 million. PL-480 (Title I and II) aid is also being increased for Peru. A.I.D. has approved adding \$10.5 million in Title I for Peru and \$15.1 more in Title II. Part of the Title II aid would be monetized. Additional Title II resources beyond this amount are not currently available. Moreover, although food commodities are a necessary response, they alone are not sufficient. The shipment and sale of PL-480 commodities could require from three to six months to generate local currencies and in any case cannot provide sufficient resources fast enough to meet the most immediate emergency relief and rehabilitation needs. Faster disbursing DA (as proposed in this PP) and larger amounts of follow-on disaster assistance that can finance both dollar and local currency costs are urgently needed.

G. Project Rationale/Strategy

The magnitude of the disaster relief and rehabilitation effort demands that decision-makers be presented with a clear strategy for addressing the current disaster and its consequences, and sufficient funding to allow them to respond to the highest priority problems. Rehabilitation and reconstruction projects should flow from this strategy and prioritization of

1/ See Lima 4463 for additional details on other AID resources that have been provided for disaster assistance from February to April 1983, especially from OFDA.

the individual projects should indicate how the scarce resources can best be used to make the affected areas productive as fast as possible while reconstruction of needed public infrastructure and housing also takes place.

The AID Project proposed herein will focus on providing resources to develop Peru's capacity to better coordinate and implement reconstruction activities and to finance emergency relief and rehabilitation activities. The Project will serve as a bridge into the longer-term reconstruction program. It will provide necessary resources to begin building and expanding institutional capacity within the GOP and PVOs, while also financing emergency relief and rehabilitation activities that cannot await PL-480 local currency generations and approvals of larger amounts of Disaster Assistance. Thus this Project will help provide the implementing capacity for more rapidly channeling other resources (e.g. PL-480 local currency generations, AID Disaster Assistance, GOP resources, other donor contributions) to reconstruction activities once these resources become available.

At the same time, the Project will provide fast disbursing emergency resources that can be made available immediately for such activities as expanding the staffs of those PVOs involved in the distribution of Title II foods, facilitating more rapid transportation of Title II commodities within Peru, initiating emergency procurement of seeds and agricultural inputs for the drought area, and beginning a large-scale technical assistance program with the DDCs and national level implementing agencies. The Project will act as a catalyst through the provision of \$4.0 million in DA loan resources and \$4.0 million in DA grant funds to be provided to the GOP, and \$2.0 million to be provided through OPGs to the PVOs. Of the total AID project costs of \$10.0 million, \$5.0 million will be provided immediately, followed by the other \$5.0 million later in FY-1983 or early-1984, depending on the availability of DA or Disaster Assistance Funds. Rehabilitation projects will be carried out in the northern flood area, southern drought areas, and other areas of the country for disaster related priority investments which will have the effect of making available additional agricultural production needed as a result of the disaster, providing infrastructure required to get this production to market, or for other activities which will lessen the effects of the disaster.

The unusual weathr has also brought some opportunities for natural resources develoment and the Project T.A. will assist the GOP to take advantage of this opportunity. Groundwater and surface water supplies in the north have been recharged. Along the coast, the surplus of freshwater has improved shrimp breeding conditions and a shrimp harvest as much as three times above average could be taken in the coming year. The rains have also resulted in natural reforesation of large areas in the north. In the south, the drought has caused depletion of livestock herds and withdrawal of land from cultivation. These effects, although highly adverse when they occur, will allow a jump on reforestation and soil conservation when rain returns.

AID has a unique opportunity to make a significant contribution to the Peruvian reconstruction program and to fill vital gaps that cannot be met by any other donor agency. No other donor agency has the extensive experience that AID has had in emergency relief and reconstruction activities. Likewise, USAID has in-country a highly competent US and Peruvian professional staff

that can help facilitate the faster and more effective implementation of reconstruction activities. With adequate financial resources, the USAID staff will be able to help the GOP better direct resources to critical problem areas. For example, the rapid expansion and strengthening of the Ministry of Finance's Coordinating Unit, the National Development Institute's Office for Reconstruction and Relief, the DDCs, PVOs, and other agencies engaged in reconstruction activities will be a high priority USAID activity. By expanding and strengthening these agencies, USAID will set the stage for faster and more rational use by the GOP of other resources that will become available for reconstruction needs.

H. GOP and Other Donor Activities

To date, some \$21.5 million in cash contributions, plus an undetermined amount of in-kind contributions, have been provided to the GOP from a wide-range of bilateral, multilateral, and private international donors, as well as a variety of Peruvian public and private resources. Nineteen governments have contributed over \$1.0 million in monetary resources plus in-kind contributions. Six international organizations have provided over \$20.0 million in funding, as well as medicine, equipment, food, and technical assistance. Private international organizations have provided \$177,000 in financial resources and additional in-kind contributions. To date private and public Peruvian organizations have made available over \$166,000 as well as in-kind contributions.

The other donors making major contributions are as follows:

1. The World Bank will act on a GOP request for a reprogramming of already approved IBRD loans for reconstruction purposes. Areas that could be served include repairs to roads, irrigation works, educational and health facilities, airports, the oil pipeline, and the provision of agricultural credit and medicines and vehicles for health establishments. At this time, the IBRD does not expect to develop any type of separate reconstruction or emergency loan program.

2. The IDB is considering a reconstruction loan package of approximately \$60 million concentrating on roads, electricity, and water and sewerage systems, while addressing the irrigation clean-up by reprogramming currently approved resources. This IDB reconstruction loan may be ready for approval shortly, but actual disbursements may not begin before the end of CY-1983, or even early 1984. IDB is also reprogramming loans already in its portfolio, including an \$80 million global agricultural credit loan to meet reconstruction needs.

3. The Andean Development Corporation (CAF) has provided \$20.0 million to finance local costs and imported equipment.

Thus the major donors such as IDB and IBRD intend to concentrate on major infrastructure activities, requiring long lead time to design and implement, while AID funds would be available in a relatively short period of time, and would be utilized for emergency reconstruction and rehabilitation efforts.

The GOP expects to provide \$100,000,000 over the next 12 month period for disaster relief and rehabilitation efforts, principally generated by the Reconstruction Bonds authorized by the Peruvian Congress, and an as yet to be determined amount next year. In mid-April, the Congress also authorized the executive branch to contract up to \$200 million in new debt and to use credits that the Central Bank could make available within its monetary program for relief, rehabilitation, and reconstruction activities.

I. Response to PID Guidance Cable 1/

1. IEE

A revised IEE was submitted to AID/W and approved on July 15, 1983.

2. Waivers

The issue of waivers is discussed in Part V. C.

3. Disbursement Period

As discussed in the eligibility criteria contained in Part III., Section A., the Mission intends that the Project will address relief and rehabilitation activities for which other funding is not immediately available. It is also the Mission's intention that subproject funds will be largely, if not entirely, committed and projects initiated and well on the way to completion within the first 12 months, with the caveat that any equipment imports required may take longer and that the technical assistance is scheduled to be carried out over the life-of-the-Project.

4. Beneficiary Involvement

Involvement of the Departmental Development Corporations and other local organizations should guarantee local participation of the beneficiaries of the Project and in selection and implementation of subprojects. Initial disaster relief and rehabilitation subprojects of the type which AID will finance have such high priority, and are of such obvious need, that it is not anticipated that there will be any important discussions regarding the need of one project over another in anyone of the affected departments. As the highest priority subprojects are completed, however, the Mission believes that this may become more of an issue. Thus, an important activity of the long-term technical assistance will be to assist the DDCs in developing procedures which guarantee local participation in the decision-making process.

1/ A copy of the cable, STATE 184002, is contained in Annex I, Exhibit F.

5. Misallocation of Resources

With regard to the potential for misallocation of resources, the Mission has been encouraged by the steps that the GOP has already taken to assure that appropriate use is made of the disaster relief resources. These include the establishment of a unit in the Ministry of Economy and Finance to review and coordinate the financial resources provided and the contracts which several DDCs have executed with local consulting firms for management and financial services. This, combined with the technical assistance provided under the Project, should provide the necessary frame work for appropriate control of the use of Project resources. In addition, the Mission anticipates that through frequent visits by the Project funded technical assistance and Mission personnel adequate monitoring can be carried out.

III. PROJECT DESCRIPTION

A. Project Goal and Purpose

The goal of the Project is to assist the rural and urban population recover from the devastating effects of the natural disasters which occurred in Peru during the first six months of 1983 and which are still ongoing.

The purpose of this three-year Project is to establish and make operational a coordinating unit (i.e. a Project Office) and a reconstruction fund through the financing and implementation of technical assistance and emergency relief and rehabilitation activities in the northern flood areas, southern sierra drought areas, and disaster-related projects in other areas of the country. This Office, located in the newly created National Development Institute (NDI), will prioritize, coordinate, allocate resources, and supervise implementation of all disaster relief and reconstruction activities and channel to the affected areas disaster relief funds and supplies from the GOP, other Peruvian public and private agencies and individuals, and bilateral and multilateral donors. Implementation will be carried out principally by the Departmental Development Corporations, and by central Ministries and other public and private agencies.

The NDI's Project Office will establish resource allocation procedures and environmental analysis capabilities in order to carry out a review process for all subprojects funded from DA, Title I and II local currency generations, and other donor and Peruvian private and public sector sources. This strategy will focus implementation and execution at the departmental level, but allow the central government to coordinate the various projects. The following eligibility criteria will be employed to focus the Project activities mainly on the northern flood and southern drought areas, but also provide funding for priority disaster related projects in other areas:

1. Emergency relief -- medicines, vaccines, food, temporary shelter, and water and other essential public services.
2. Rehabilitation and Reconstruction -- repair and reconstruction of public infrastructure, housing, and agricultural infrastructure, inputs, and distribution systems.
3. Execution of priority projects related to the disaster, even if not physically in the disaster area -- bridges to bring out additional agricultural production from jungle areas; upgrade limited port, storage, and transportation facilities for food imports; road improvements; seed production and supplementary planting of food crops, etc.
4. Activities that put people back to work in areas affected by the disaster and that reactivate the agricultural sector in these areas.
5. Subprojects that address key relief and rehabilitation requirements and which can be largely, if not entirely, disbursed within six to twelve months.

Technical assistance will be provided to the National Development Institute the NDI's Project Office, the Ministry of Economy, Finance, and Commerce's (MEFC) Coordinating Unit, six departmental development corporations (Tumbes, Piura, Lambayeque, La Libertad, and Ancash in the north and Puno in the south) and possibly other public and private agencies. The Chief-of-Party of the technical assistance team will coordinate the other technical assistance and provide high-level expertise to the Project Office. A second technician attached to the NDI Project Office, but working directly with the individual Corporations, will develop environmental guidelines for Project identification, design, and approval, and incorporation of environmental considerations in construction activities. At each of the six departmental development corporations, a project design and implementation technician will assist the corporations and other public and private organizations in identifying, planning, and implementing priority rehabilitation and reconstruction activities. Two long-term project implementation specialists (contractors) will also be financed for two years with the Grant to assist the GOP and AID in monitoring Project implementation. Finally, the Project will fund the services of local consulting firms who will provide technical assistance to the DDC in the areas of administration, auditing, and engineering design and supervision.

During Project development several other options for Project implementation were considered and rejected. These included the option of carrying out an essentially AID implemented project that would have been implemented through PVOs and, perhaps, the DDCs. This option was rejected because it would have demanded a higher level of AID staff involvement than current Mission work loads will permit and would have ignored the GOP's interest, capacity, and, indeed right, to manage and control the reconstruction of the damaged areas of the country. Another option considered and rejected was that of creating a special project office. This procedure has proven useful to the Mission and the GOP in the past with regard to projects located in fixed geographical areas. However, the Project Committee did not feel that this was a reasonable option in this case give the wide areas of the country involved which would have required a series of local implementing offices, essentially duplicating the capacity which the DDCs already possess.

B. Project Outputs

By the end of the Project, the Project Office will be able to evaluate, prioritize, and coordinate the execution of disaster relief and rehabilitation projects. The Office's cadre of trained individuals at the technical and executive levels will have allocated funding from local and international sources to finance disaster relief and rehabilitation activities, and will have planned and implemented the corresponding projects. The Office will have supervised the implementation of subprojects financed by the Project whose value exceeds \$4.2 million, as well as other projects financed by the GOP, and other bilateral and multilateral sources, and public and private Peruvian sources. As a result, it will have the capability to effectively supervise the use of the Title I and II local currency generations and the additional Disaster Assistance resources which the Mission expects to make available.

Sales proceeds from the AID Title I and II food commodities provided to Peru for disaster relief efforts, as well as additional resources which may be available from other AID resources, GOP Treasury, and other donors will also be channelled through the Project Office for use in the continuing reconstruction effort.

USAID will be closely involved initially in the subproject review and approval process. A two to three page description prepared on each subproject by each implementing agency and approved by the Project Office. This review is intended to assure that only disaster-related subprojects are being funded under the Project and that appropriate environmental guidelines have been applied to the design of these. In addition to its major functions of disaster relief and rehabilitation, the NDI will be encouraged to take advantage of the opportunities for natural resource development that arise. As the Project Office reaches organizational strength and the long-term technical advisors have begun providing assistance, AID's direct involvement will be reduced.

C. Project Activities

Project activities will be supervised and coordinated by the Project Office for Disaster Relief and Rehabilitation established in the newly created National Development Institute (NDI). The Director of the Institute has ministerial rank which will give him direct access to the president and participation on a regular basis in cabinet meetings. Organizationally this is similar to the way in which the National Planning Institute relates to the rest of the government structure. The Institute will be responsible for three principal activities: 1) Disaster relief and rehabilitation activities; 2) All Special Projects; and 3) Irrigation and drainage projects. Directors will head up each of these units, and the director for disaster relief and rehabilitation will be responsible for coordinating all aspects of the AID funded Project. In addition a coordinating unit has been established in the Ministry of Economy, Finance, and Commerce. This unit will report directly to the Vice-Minister of Finance and will be responsible for coordinating and monitoring the financial aspects and budgetary process for all Project activities. The Departmental Development Corporations (DDC) are charged by Supreme Decree with direct disaster relief and rehabilitation implementation responsibilities for local projects which they may carry out through public contracting, by force account, or through Ministries or other public agencies.

In order to initiate activities, the National Planning Institute (INP) will prepare an "Integral Rehabilitation and Reconstruction Program" for each department based on information provided by DDC's. This plan will be submitted to the Interministerial Committee for Economic and Financial Affairs for review and will then be approved by Supreme Decree by the Council of Ministers. It is contemplated that this approval process will be accomplished in July. Based on these approved programs, subproject implementation will then begin through the DCC and line ministries.

1. The Project Office

a. Description

The Project Office described above will be staffed by a Chief and his assistant, as well as a small cadre of highly competent and motivated individuals. They will report to the Director of the Institute. The Interministerial Committee for Economic and Financial Matters, with the Minister of Finance as its president, is charged by the Decree establishing the disaster relief, rehabilitation, and reconstruction program, with overall review of the rehabilitation and reconstruction activities and responsibility for forwarding this program to the Council of Ministers for approval by supreme decree. The Interministerial Committee is also charged with supervising the execution of the program. On a day-to-day basis, however, the Director of the Project Office will report directly to the Director of the Institute, who will have responsibility for the operation of the Project Office, for supervising the implementation of the approved disaster relief, rehabilitation, and reconstruction program, and, in coordination with the MEFC, making the necessary resources available.

The Project Office in addition to the Chief and his assistant mentioned above Director and Deputy Director will have a small staff composed of personnel in the following areas: administration, engineering, planning, and accounting. In addition to the coordinating unit in the MEFC, the Project Office will be assisted by three other GOP offices: (1) The Office of Regional Affairs of the Ministry of Economy, Finance, and Commerce (MEFC), which currently has responsibility for reviewing and approving regional resource allocation; (2) The Office of Budget of the MEFC, who will maintain the financial controls and make the resources required available on a timely basis; and (3) The Secretariat of Regional Affairs of the Prime Minister's Office, which currently supervises activities of the DDC. PETROPERU (the state petroleum company) and MINEROPERU (the state mining company), will also assist the Project Office providing expertise in the contracting area, given their extensive experience.

The subprojects to be financed through the procedures established by the GOP will flow from the rehabilitation and reconstruction plan prepared by the DDCs and INP, and approved by the Council of Ministers. It is the Government's intention that the DDCs will have the principal project identification and implementation responsibilities, which they will carry out through public contract award, direct force account, or force account through the various ministries and other public agencies. The decree also provides that the DDC will carry out the execution of the basic national road plan and the national airport plan through the Ministry of Transport and Communications, based on the priorities established by the respective Development Corporation. The budget authority for all of these activities will be the DDC, further strengthening their priority role in this process.

b. Inputs (L \$950,000; GOP \$500,000)

Project funding for the NDI, the Project Office, MEFC, and the DDCs will provide budget support for salaries and the hiring of

additional personnel (L \$570,000, GOP \$382,000), vehicles and spare parts for use by the DDCs and the technical advisors (L \$126,000); a microcomputer, other office equipment and furniture (L \$100,000) for each DDC and the NDI and the Project Office; and support and operational costs such as travel, per diem, equipment and vehicle rental, gasoline, and other office support costs (L \$154,000, GOP \$118,000) for the DDC, NDI, and the Project Office.

2. Private Voluntary Organizations

a. Description

The Private Voluntary Organizations (PVO) will play an important role in carrying out priority activities under the Project. Grant funding provided under this component of the Project through individual OPGs, which will be separate from the Project Agreement between AID and the GOP, will allow the PVOs to mobilize and fund a series of emergency relief activities for which they are uniquely qualified. Based on the extensive local and worldwide experience of these agencies, their ability to rapidly mobilize resources, both human and material, for this purpose will be an important contribution to the relief activities.

The PVOs will address the problem of relief assistance in two stages. The first will be short-term, immediate relief, while the second will be medium-term rehabilitation projects. Of the four Title II PVOs with whom USAID works, CARE and CARITAS will be responsible for the major part of the relief assistance, while SEPAS and OFASA to a lesser degree will expand their operations in the affected areas.

Food assistance is scheduled to begin arriving in August and the start-up costs to implement the feeding component of the program need to be covered immediately. The most urgent financial needs are: (a) the inland transportation cost to Puno and from Puno to points of distribution for approximately 13,000 MT of Title II food commodities for the south and for the approximately 3,000 MT of food aid for the north which must be transferred from the port of entry to the Piura-Tumbes area; and (b) the personal costs of increasing the PVOs' capacity to supervise food distribution. Approximately \$750,000 will be needed in total for these items. These costs must be covered regardless of how sub-project funding is arranged. Other ongoing needs will be determined in the north and south as the initial relief programs are being implemented and as consultations with the development corporations and other GOP entities help the PVOs and AID identify specific areas where PVO programs can have the strongest impact.

To date, there has been close coordination among the PVOs and between the PVOs and the concerned development corporations. This coordination should avoid significant project duplication. The PVOs are by their very nature and experience able to give quick responses to disaster needs. The development corporations recognize this and do not look upon the PVOs as competitors for the scarce financial resources available.

b. Inputs (G\$2,000,000; GOP \$640,000)

Up to \$2.0 million in Grant funds and \$0.5 in GOP funds will be provided to cover emergency food and transportation costs, vehicle rental and purchase, office equipment, personnel, and other cost associated with the emergency relief and rehabilitation activities provided for by the GOP program.

3. Technical Assistance

a. Description

Grant funded long and short-term technical assistance (\$3,500,000) will be provided for the NDI and the Project Office as well as each of the DDCs. The long-term technical assistance (LT/TA) will focus on assisting the Project Office implement a system for evaluation, approval, and supervision of subproject execution, including the follow-up needed to assure that subprojects are completed and that impact and cost data are accurately maintained. A LT advisor will also be provided to each DDC for carrying out similar activities. A second long-term technician at the national level will assist the GOP develop and implement a set of environmental guidelines to be applied to the subproject review and approval process. Finally, two long-term project implementation specialists will also be financed for two years by the Grant to assist the GOP and AID monitor project implementation. The departmental level technicians will be expected to assist the DDC in project identification and to have strong implementation and supervision experience. Each long-term technician will provide 24 months of service, except for the environmental advisor, whose period of service will be 12 months. The short-term technical assistance will provide the implementing institutions with assistance in areas where specialized knowledge is required on a short-term basis. A detailed description of the position requirements and duties is contained in Annex II, Exhibit E.

Project funds (G \$500,000; L \$1,000,000) will finance the cost of local consulting services for the DDC in the areas of accounting, auditing, and engineering design and supervision. These services will be provided by local consulting firms contracted by the DDC.

b. Inputs (G \$4,000,000; L \$1,000,000)

The Grant will provide \$3.5 million to fund the six LT advisors at each of the six DDC, one LT advisor for the national project office, one LT environmental advisor, and the two project implementation specialist positions. \$420,000 will fund short-term TA to the DDCs, the Project Office, and the NDI in priority and special areas. \$500,000 in grant funds and \$1,000,000 in loan funds will be used to finance the acquisition by the DDCs of services from local consulting firms to provide assistance in the areas of accounting, inventory control, management systems, engineering services, etc.

4. Subprojects (G \$2,050,000; GOP \$2,200,000)

The following is an illustrative list of the types of subprojects to be funded under the Project:

Requests for Rehabilitation and Reconstruction
Financing in Disaster Areas

<u>ITEM</u>	<u>Total in Million of Dollars</u>
<u>Northern Flood Area</u>	
1. Emergency relief supplies for flood victims (roofing materials, fuel and water storage tanks, imported water purification units, medical supplies, trucks, leasing of helicopters, and transport aircraft from foreign sources, etc.)	\$ 6.0
2. Costs to reopen (not permanently repair) key access roads in flooded areas so that relief supplies can get to flood victims. Preparation of roads for final repairs.	\$ 15.0
3. Procurement of road building equipment to meet flood relief and rehabilitation needs.	\$ 70.0
4. Costs to open clogged sewer systems in over ten urban areas in flood zones (importation of sewer cleaning equipment and trucks, operational expenses, repair parts).	\$ 4.0
5. Costs for cleaning out damaged irrigation systems and making them minimally operational.	\$ 20.0
6. Assistance to expand technical staffs and operational capacity of six departmental development cooperations (Tumbes, Piura, La Libertad Lambayeque, Chiclayo, Ancash) in flooded areas to meet disaster conditions.	\$ 15.0
7. Assistance for U.S. and local PVOs to expand their administrative structures for food distribution and relief efforts.	\$ 2.0
8. Foreign technical and managerial advisors to help plan and implement relief and rehabilitation activities. (LT and ST/TA and Training)	\$ 4.0
9. Emergency repairs to the Piura and Tumbes airports.	\$ 1.0
10. Emergency repairs to health facilities, schools, and other public buildings in flooded areas.	\$ 1.0
11. Purchase of irrigation equipment and other agricultural equipment lost in flooded areas.	\$ 2.0

12.	Repairs for business enterprises in flood areas.	\$ 12.0
13.	Repairing agroindustries in flood areas.	\$ 2.0
14.	Large-scale road, bridge, and irrigation reconstruction in conjunction with IDB/IBRD.	\$ 50.0
15.	Sewage reconstruction in conjunction with IDB.	\$ 30.0
16.	Reconstruction of damaged electrical and water lines, airports, and petroleum facilities.	\$ 25.0
17.	Emergency assistance to key GOP ministries/agencies to meet unexpected reconstruction and relief efforts.	\$ 16.0
18.	Housing repairs and reconstruction.	\$ 20.0
19.	Small business credit for businesses damaged by flooding.	\$ 5.0
20.	On farm reconstruction of infrastructure damaged by flooding and slides.	\$ 10.0
21.	Medicines, vaccines, and damaged medical equipment and health facilities.	\$ 5.0
22.	Emergency agricultural credit program in flood areas.	\$ 20.0
23.	Seeds and other agricultural supplies for flood area.	<u>\$ 20.0</u>
	Sub-Total 1 - 22	\$355.0

Southern Drought Area

24.	Well-drilling equipment and pumps for drought area.	\$ 4.0
25.	Seeds and other agricultural supplies for drought area.	\$20.0
26.	Small irrigation and well construction costs in drought area.	\$17.0
27.	Budget assistance for the Puno Departmental Development Cooperation and assistance to expand technical staff.	\$ 3.0
28.	Potato seed nursery construction and technical assistance from International Potato Center.	\$ 1.0

29. Emergency credit programs in drought areas.	\$ 20.0
30. Emergency irrigation activities	\$ 10.0
31. Emergency assistance to key GOP ministries/ agencies to meet unexpected reconstruction and relief efforts.	\$ 3.0
32. Plan Puno	<u>\$ 10.0</u>
Sub-Total 23 - 32	\$ 88.0

Disaster Relief and Rehabilitation Activities in Other Areas

33. Bridge and road upgrading and construction in high jungle and sierra to facilitate transport of agriculture crops to flood and drought areas.	\$ 15.0
34. Agricultural credit to stimulate production of food crops.	\$ 3.0
35. Irrigation works for food crop production.	\$ 2.0
36. Seed production and distribution.	\$ 1.0
37. Emergency assistance to key GOP ministries/ agencies to meet unexpected reconstruction and relief efforts.	\$ 5.0
Sub-Total 33 - 37	<u>\$ 26.0</u>
TOTAL	<u>\$469.0</u> *****

D. Immediate Activities

The Mission anticipates that immediately upon meeting initial CPs, Project funds may be disbursed for eligible priority activities required on an emergency basis. The Project Authorization makes these activities eligible for funding from the date of approval (June 17, 1983) of the PID by the LAC Bureau (see Annex I, Exhibit F), and the Project Authorization and Agreement will so provide. These activities will include emergency procurement of seeds and other agricultural inputs for the southern sierra area, support of PVOs for emergency food distribution, procurement of technical assistance, and the funding of emergency health activities and the procurement of medical supplies, medicines, and vaccines.

IV. Project Analyses

A. Financial Plan

Table 1 presents an estimate of the funding required for the Disaster Relief and Rehabilitation Project, and its intended uses. The initial cost of the bilateral Project is estimated at \$10.7 million, of which \$2.7 million (25 percent) will be financed by the GOP and \$8.0 million (75 percent) will be financed by AID. The AID contribution, in turn, can be broken down into \$4.0 million in loan funding and \$4.0 million dollars in grant funding. In addition through separate OPG agreements AID will make available directly to the PVOs \$2,000,000 to carry out the activities described in Part III. Thus, the total life-of-project cost is \$12.7 million.

The Project will have a total life of three years. Loan funding will finance such priority activities as the purchase of seeds and other agricultural inputs, operational support for the NDI, the Project Office and the DDCs, the services of local consulting firms, and other disaster relief and rehabilitation subprojects. It is expected that these activities will be initiated during the first year of the Project and that a majority will be completed or well-along to completion during the first year. Grant funding will finance support costs for PVOs, long- and short-term technical assistance, and the contracting of local consulting firms. It is expected that these funds will be expended over the life-of-the Project. GOP counterpart will finance operational support for the NDI, the Project Office, DDCs, other implementing agencies, and for disaster relief and rehabilitation subprojects.

No recurrent costs are anticipated for the Project as it is expected that the disaster relief and rehabilitation activities will terminate when the reconstruction effort is completed.

Table 1 - Summary Financial Plan (US\$000)

<u>Component</u>	<u>A. I. D.</u>		<u>Total</u>	<u>GOP</u>	<u>Grand</u>
	<u>Grant</u>	<u>Loan</u>		<u>GOP</u>	<u>Total</u>
I. <u>Technical Assistance and Operational Support - GOP</u>					
A. <u>Technical Assist.</u>					
- Short-term	420	-	420	-	420
- Long-term	3,080	-	3,080	-	3,080
- Local Consulting Firms	500	1,000	1,500	-	1,500
B. <u>Operational Support</u>					
- Personnel, Vehicles, Office Equip. & Others	-	950	950	500	1,450
II. <u>Disaster Relief and Rehabilitation Sub-projects</u>	-	2,050	2,050	2,200	4,250
III. <u>Operational Support for PVOs</u>					
- Personnel, Office Equipment & Subprojects	2,000	-	2,000	640	2,640
TOTAL	6,000	4,000	8,000	3,340	13,340
			75%	25%	100%

Table 2 - Detailed Financial Plan

<u>Component</u>	<u>A.I.D.</u>		<u>Total</u>	<u>GOP</u>	<u>Grand Total</u>
	<u>Grant</u>	<u>Loan</u> (US\$000)			
I. <u>Technical Assistance & Operational Support</u>					
A. <u>Technical Assistance</u>					
Short-Term	420	-	420	-	420
Long-Term	3080	-	3080	-	3080
Local Consulting Firms	500	1000	1500	-	1500
	<u>4000</u>	<u>1000</u>	<u>5000</u>		<u>5000</u>
B. <u>Operational Support</u>					
GOP: Microcomputers	-	50	50	-	50
Personnel	-	570	570	382	952
Vehicles & Spare Parts	-	126	126	-	126
Vehicle Oper. & Maint.	-	25	25	18	43
Of. Equip. & Furniture	-	50	50	-	50
Travel & Per Diem/Other	-	129	129	100	229
	<u>-</u>	<u>950</u>	<u>950</u>	<u>500</u>	<u>1450</u>
Total I	<u>4000</u>	<u>1950</u>	<u>5950</u>	<u>500</u>	<u>6450</u>
II. <u>Disaster Relief & Rehabilitation of Subprojects</u>	-	2050	2050	2200	4250
III. <u>Operational Support for PVOs</u>					
- Personnel	635	-	635	-	635
- Vehicles & Spare Parts	72	-	72	-	72
- Vehicle Oper. & Maint.	25	-	25	-	25
- Of. Equip. & Furniture	40	-	40	-	40
- Travel & Per Diem	228	-	228	-	228
- Transp. of Commodities	750	-	750	-	750
- Purchase of Potato Seed and Rehabilitation of Subprojects	<u>250</u>	<u>-</u>	<u>250</u>	<u>640</u>	<u>890</u>
Total III	<u>2000</u>	<u>-</u>	<u>2000</u>	<u>640</u>	<u>2640</u>
GRAND TOTAL	<u>6000</u>	<u>4000</u>	<u>10000</u>	<u>3340</u>	<u>13340</u>

Table 3 - Requirements of Foreign Exchange and Local Currency

<u>Component</u>	<u>Grant</u>		<u>Loan</u>		<u>Total AID</u>	<u>GOP LC</u>	<u>Grand Total</u>
	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>			
I. <u>Technical Assistance & Operational Support</u>							
A. <u>Technical Assistance</u>							
Short-Term	420	-	-	-	420	-	420
Long-Term	3080	-	-	-	3080	-	3080
Local Consulting Firms	-	500	-	1000	1500	-	1500
B. <u>Operational Support</u>							
GOP: Personnel, Vehicles, Of. Equipment & Other	-	-	196	754	950	500	1450
II. <u>Disaster Relief & Rehabilitation of Subprojects</u>							
	-	-	900	1150	2050	2200	4250
III. <u>Operational Support for PVOs Personnel, Vehicles & Other</u>							
	200	1800	-	-	2000	640	2640
Grand Total	3700	2300	1096	2904	10000	2700	12700

Table 4 - Expected Disbursements by Year

<u>Component</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
I. <u>Technical Assistance & Operational Support</u>				
A. <u>Technical Assistance</u>				
AID - Grant	1800	1950	250	4000
- Loan	300	500	200	1000
B. <u>Operational Support</u>				
For Project Office & DDCs:				
AID - Loan	450	240	260	950
GOP	154	166	180	500
II. <u>Disaster Relief and Rehabilitation Subprojects</u>				
AID - Loan	2050	-	-	2050
GOP	660	1000	540	2200
III. <u>Operational Support for PVOs.</u>				
AID-Grant	1269	448	283	2000
GOP	200	300	140	640
Total AID - Grant	3069	2398	533	6000
Loan	2800	740	460	4000
GOP	1014	1466	860	3340
Total Project Expected Disbursements:	6883	4604	1853	13340
	52%	35%	13%	100%

B. Institutional Analysis

1. Institutional Setting

With the growing awareness of the magnitude of the disaster and of the enormous reconstruction effort that will be required, the GOP has created the National Development Institute (NDI) as a coordinating and implementing mechanism to deal with the problem of disaster relief, rehabilitation, and reconstruction. This Institute is directed by a national director who is named by the president and charged with the responsibility of managing the various activities which the Institute will carry out. These include management of: all Special Projects, all irrigation and drainage projects, and the disaster relief and rehabilitation activities. In carrying out the latter responsibilities, the NDI will be assisted at the national level by the Inter-Ministerial Commission for Economic and Financial Affairs composed of the Ministers of Economy, Finance and Commerce; Transport and Communications; Housing; Agriculture; Health; and Education. The Project Office for Disaster Relief and Rehabilitation within the NDI will coordinate resource allocations across sectors and institutional divisions to accomplish the rehabilitation and reconstruction efforts. This Office will administer a Reconstruction Fund and facilitate and supervise the use of services from multiple sources, i.e. bilateral and multilateral sources as well as GOP funds of various types. This unit will, thus evolve into the central administering office for the GOP's disaster relief and reconstruction program.

The decree establishing guidelines for the disaster relief and rehabilitation efforts was issued on June 6, 1983, and it contemplates that the Departmental Development Corporations (DDCs) will be the major implementing and coordinating units at the local level, except that execution of projects involving the national road system and airports will be handled by the Ministry of Transport and Communications. All reconstruction activities carried out by line ministries and municipalities must be coordinated with and approved by the DDC in the affected area. The DDCs and other agencies implementing reconstruction activities (e.g. ministries, municipalities) will receive reconstruction funds directly from the Ministry of Finance based on plans prepared by the DDCs and presented to the National Planning Institute (INP). The Decree requires that the DDCs provide information for an integrated rehabilitation and reconstruction program, which will be prepared by INP and forwarded by the Interministerial Commission for Economic and Financial Affairs to the Council of Ministers for approval. When approved, these general plans will serve as the basis for the more specific resource allocations to be made by NDI, in coordination with the MEFC, to the DDCs and to other GOP agencies implementing reconstruction activities. It is contemplated that approval of the general plans will be accomplished in July. Based on these approved programs, subproject implementation will then begin through the DDCs and line ministries.

2. Project Administration

As discussed in the background section the implementation mechanisms which the GOP will use to carry out the disaster relief and rehabilitation activities are still evolving and highly fluid.

Institutionally the government does not have much experience in this area and has been hampered in dealing with the magnitude of the disaster by the lack of reliable information and adequate resources. Thus the implementation arrangements contained in this section will most likely evolve as experience is gained, the implementing institutions are staffed and the personnel trained, and subprojects are executed. USAID believes that this is reasonable under the circumstances and, indeed, would be concerned if the GOP were not attempting to adjust its implementation mechanisms as the disaster continues to evolve. In addition the technical assistance team to be financed by the Project will have an impact on the institutional arrangements that the GOP uses, and the Mission expects that these advisors will have valuable recommendations to make with regard to the procedures to be used.

Project activities will be supervised and coordinated by the NDI's Project Office for Disaster Relief and Rehabilitation. The Project Office will report directly to the Director of the Institute and will be responsible for coordinating and monitoring all Project activities. The Departmental Development Corporations will be responsible for the direct implementation of local projects which they may carry out through public contracting, by force account, or through Ministries or other public agencies.

The staff of the Project Office will contain a director and a deputy in addition to a small group of highly qualified professional personnel in the fields of administration, engineering, planning, and accounting, as well as other support personnel. It is expected that a limited number of additional staff will be funded under the Project in order to allow the NDI and the Project Office to carry out its functions.

The administrative provisions which have been instituted by NDI and those additional requirements which will be developed as the Institute is brought up to organizational strength, the Mission believes, will permit accelerated Project implementation given the speed and relative ease with which the MEFC intends that the funds will be made available for Project activities. A special project budget is provided for and disbursements will be made directly to the DDCs by the Ministry of Economy, Finance, and Commerce. This procedure circumvents the more cumbersome and lengthy procedures involved in processing disbursements through the highly bureaucratized administrative structure of the line ministries. However, despite its usefulness and flexibility in initiating project activities rapidly and efficiently, this mechanism is not meant to be a permanent bureaucratic fixture, and this also coincides with the nature of response to the disaster relief efforts. However, it is worth noting that due to the magnitude of the problem INP now estimates that a minimum of three years will be required to complete the rehabilitation and reconstruction activities.

Initially, Project disbursements will be made by AID directly for individual subprojects, to the DDCs, or to the Project Office, depending on the size and complexity of the subproject. Subsequent procedures to be used for funding of activities approved by the Project Office for implementation by the Departmental Development Corporations and other agencies will be developed during implementation.

Activities of the PVOs will be implemented directly through individual OPG agreements which AID will negotiate with each organization. Although the approval for these activities will be provided under this Project, individual authorizations and agreements will be executed to provide the necessary funding and to describe the projects to be carried out. Therefore, the funding (\$2.0 million) for the programs to be financed with the PVOs will not form part of the bilateral project agreement, and will not be managed by the Project Office.

C. Economic and Social Impact

1. General Economic Impact

Perhaps because drought or a flood is not as dramatic as an earthquake, it is only recently that that magnitude of Peru's disasters has become evident. By early June, estimates of the damages caused by "El Niño" and resulting weather conditions was estimated to be S/. 1.4 trillion (approximately \$875,000,000 at the current exchange rate of US\$1 to S/.1,600). Five months of climatic disaster have produced a loss in current output for 1983 estimated at 5.4%

Of total direct losses, two-thirds are in production and one-third in infrastructure. In all, approximately S/. 900 billion (\$562.5 million) in production will be lost this year -- including S/. 371 billion (\$232 million) in petroleum production alone, due to breaks in the oil pipeline caused by mudslides and the flooding of wells and the refinery in Talara.

However, the greatest social impact will be felt in the southern sierra where the loss is estimated to be S/. 188 billion (\$118 million) in potato, quinoa, and other crop harvests, due to the drought which began last August. The severity of this disaster is rooted in the extreme poverty and inaccessibility of the population in that sierran zone.

Production loss is as great in other activities as well: rice harvests in the north, one more strong blow to the already faltering fishing sector, minerals and hydrocarbons which were not exported, and transportation paralyzed due to flooding and mudslides. Other activities suffer indirectly as the lost production will not be processed, transported, or retailed, thus, further reducing domestic value added.

The losses, however, are not limited to 1983 production. Damage to infrastructure (the productive capital of the country) will affect future production. This year, the GOP proposed to construct S/.1.8 billion (\$1,125,000) worth of public works. The rains and mudslides have already destroyed S/. 500 billion (\$312,500,000), and the rains continue. The greatest damage has been to roads and bridges but extensive damage has also been done to the Talara oil refinery, the jungle/coast oil pipeline, housing, and water and sewerage systems. The entire irrigation network of the northern coast, from the main Chira-Piura canal to the small irrigation ditches on individual farms, requires urgent reconstruction. In rough order of magnitude, infrastructure damage will reduce total output by 1/2% per year of GDP over the next decade.

The high cost of the disaster affects every Peruvian. One million persons, mostly farmers in the south and the north, have lost almost their entire income for this year. They survive only by going into debt or by getting some government assistance; they are the ones who are suffering the most.

As part of this high cost will be borne by the government budget. The GOP treasury will lose between S/.350 billion and S/. 400 billion (\$219-250 million) in revenues this year. At the same time, it is the GOP which will be responsible for replacing the great majority of damaged infrastructure, as well as providing food, medicines, and credit. This unexpected fiscal burden will make every Peruvian some what poorer during the course of the next years--through increased taxes (reconstruction bonds, high fuel prices, and others), less investment in other zones, and fewer social services. This fiscal austerity will also affect public sector employees at all levels. In order to absorb these costs in only one year, the GOP will of necessity have to increase its indebtedness, transferring part of that debt to future years. To assist the recovery efforts, the GOP is enlisting the support of foreign donors for both grants and soft loans for at least S/.300 billion (approximately \$188 million).

The current recession and international economic conditions are adding an additional burden to the government's attempts to finance the cost of the recovery from the disasters. In nearly all activities, the contraction of sales is being felt. Markets in the disaster-affected zones have been substantially reduced. In addition, higher prices for basic foodstuffs is reducing purchasing power nationwide. Numerous industries have stopped producing or exporting for lack of raw materials -- as is the case in the sugar and cotton industries -- or due to interruptions of transportation. Finally, the greater scarcity of foreign exchange due to the loss of exports of oil, minerals, and others, and due to the increased importation of foodstuffs, will require the GOP to contract productive activity even further, to a level that is consistent with the more limited availability of foreign exchange.

Total Damages Caused by the 1982-83 Disasters ^{1/}

	<u>Billions of Soles</u>	<u>Millions of US Dollars</u> ^{2/}
<u>PRODUCTION LOSS</u>	<u>900</u>	<u>562</u>
Oil	371	232
Fishing	54	34
Potatoes	132	82
Rice	62	39
Sugar	18	11
Other Agricultural	60	37
Minerals	15	9
Manufacturing	70	44
Other Activities	118	74

^{1/} Richard Webb D., Peruvian Central Bank President, June 1983.

^{2/} US\$1 equals S/.1,600

<u>INFRASTRUCTURE LOSSES</u>	<u>500</u>	<u>313</u>
Roads and Bridges	190	119
Housing and Sewerage	110	69
Irrigation Canals	55	34
Refinery and Pipeline	145	91
<u>TOTAL</u>	<u>1400</u>	<u>875</u>

2. Social and Economic Conditions in the Flood Area

A field trip report by an AID staff member from Chiclayo, typical of the flood area, graphically describes the impact of the rains and flooding. It states that the pueblos jovenes have suffered most. Water stands perpetually in low areas and inside many houses. The water weakens the base of the adobe walls and some houses have collapsed. New rains have exacerbated the serious health threats posed by increased numbers of mosquitos and damp conditions. In addition, sewerage and drainage systems are flooded and blocked. Potable water is still available in some areas but has become contaminated.

The full impact in rural areas of the most recent rains is not yet known. Standing water is hampering farmers' efforts to harvest the rice crops; if not harvested promptly, portions of the crop may rot in the fields, greatly increasing crop losses. Likewise, damage to agricultural infrastructure is difficult to gauge, since large areas remain cut off from assessment teams. Some teams have gone by helicopter to areas inaccessible by land; and overflights of many areas indicate that extensive damage has been done to irrigation works. A mid-April INP estimate was that \$34 million worth of damages had occurred in primary and secondary irrigation works in the five department area affected by flooding.

Oil production losses are estimated to be 5 million barrels along the coast and 5 million barrels in the jungle. These losses are all in exports since PETROPERU supplies the domestic market first. The total balance of payments impact as a result of lost petroleum exports will be about \$250 million, about half of the expected 1983 petroleum exports. Infrastructure losses are estimated to be approximately \$60 million. Insurance coverage is only for equipment and installation (losses estimated at less than \$1 million). So far as is known, none of the production losses are covered by insurance.

Road damage estimates vary between \$55 million and \$119 million. Approximately 200 kilometers of asphalted road and 3,000 kilometers of all-weather road have been damaged. Some parts of the Panamerican highway and secondary roads that had been partially repaired have been damaged again.

With regard to housing and urban services, the IDB estimated in April that \$20 million would be needed to repair or replace housing losses and another \$34 million for potable water and sewerage system repairs. Also as of April, the INP estimated that 8,500 homes had been destroyed and 24,500

more homes were damaged. Housing damage numbers should have risen significantly, given the intensity of rains throughout May and June; however, additional estimates are not available at this time. The most extensive damage is in Piura and Tumbes.

In addition, electricity distribution facilities, streets, health posts, schools, markets, and other public buildings have been damaged, primarily in Piura and Tumbes departments. INP estimates that these will cost approximately \$21.5 million to repair and rehabilitate.

3. Social and Economic Conditions in the Drought Area

In Puno and surrounding areas, drought is affecting approximately 500,000 low-income people. GOP officials believe that human suffering and agricultural and livestock losses due to drought are double the damage being caused by northern flooding. The drought combined with May frosts (temperatures between zero degree C and minus ten degrees C) have caused massive agricultural losses.

The following table, "Estimated Per Capita Losses in Agriculture," points out the extremely harsh impact the drought is having on Peruvian farmers. In Apurimac, for example, the estimated loss per farmer is 62% of the average annual per capita farm income. Similarly, in Puno and Huancavelica, the estimated loss per farmer is equal to 58% and 47%, respectively, of the average annual per capita farm income.

An AID consultant ^{1/} visited Puno department and parts of Cuzco in May to evaluate the disaster situation and reported that the drought extends throughout the department of Puno, except for the jungle areas of the north. A few provinces of Cuzco department are also reported severely affected, as are highland areas of Arequipa and Apurimac.

The principal effect of the drought has been on potato production. Last year (1981-82), potato production reached 266,000 tons. This year 280,000 tons were expected to be produced and by March 1983, losses were estimated at 70% of the total crop -- a shortfall of 196,000 tons. Everyone interviewed agreed that potato losses were severe and some communities claimed 100% destruction of the crop. Potatoes dug up for the consultant's benefit were extremely small, scarcely bigger than marbles, and some had worms in them. There is no doubt that losses have been catastrophic.

In addition, quinua (a highland indigenous grain) and barley production has been badly affected with losses estimated by the National Planning Institute at 63% (estimated production for quinua was 13,760 mt, for barley, 13,300 mt, so about 5,000 of each might have been harvested).

^{1/} Tony Jackson, "The Puno Drought--Report of Visit to the Area, May 11-21, 1983, with Recommendations for a Food Aid Programme." June 7, 1983.

Estimated Per Capita Losses in Agricultural Production *
(As of May 1983)

<u>Department</u>	<u>Per Capita Income(PCI)(\$)</u>	<u>PCI Ag (\$)</u> ***	<u>Economically Active Pop(EAP)</u>			<u>Loss*</u> (\$Millions)	<u>Loss Per Ag EAP(\$)</u>	<u>Loss As % Ag PCI</u>
			<u>Total</u>	<u>Ag</u>	<u>% Ag</u>			
<u>Flood Area</u>								
Ancash	1080	540	230,714	105,925	46	5.5	52	12
La Libertad	1200	480	274,712	109,863	40	10.7	98	20
Lambayeque	1344	538	185,774	50,081	27	7.8	156	29
Lima	1848	739	1,587,954	109,149	7	0.2	2	0.3
Piura	1248	499	318,646	143,543	45	17.5	122	24
Tumbes	1392	557	32,447	9,583	30	2.5	261	47
<u>Drought Area</u>								
Apurimac	552	359	95,675	67,925	71	15.0**	221	62
Arequipa	1536	614	225,692	54,837	24	0.3**	5	0.8
Ayacucho	720	432	141,889	98,019	69	7.0**	71	16
Cuzco	792	475	274,516	158,215	58	23.2	146	31
Huancavelica	720	432	100,925	69,065	68	14.0**	203	47
Puno	672	403	306,791	185,408	60	4.0**	235	58

* Source: INP Figures

** Source: Ministry of Agriculture updated figures

*** USAID estimate based on 1981 census information

As well as this significant drop in agricultural production, people reported a marked increase in basic food prices since December (with the exception of meat). In Juliaca market, for example, chuffo (dried potato) had risen from 500 soles a pound in February to 600 soles in May, and potatoes from 350 soles to 500 soles. In June, the price of one piece of bread in Puno went up from 25 to 30 soles. In November, it had cost about 12 soles. Cheese in Puno had risen from S/.600 to S/.1,100.

An added problem relates to animals. Pasture land has been affected by the drought and animals are therefore thinner than usual. With even greater scarcity of pasture expected over the next few months, and with the need for cash, sales of animals can be expected to increase significantly. Already sales are reported on the increase and the price of meat is going down. Sheep in Pilcuyo which would have been sold at over 10,000 soles last year were reported by OFASA to have been sold for 5,000 soles in April this year (inflation over this same period was approximately 70%). Meat prices in Asillo slumped from 620 soles per pound in February to 350 soles in May. Since animals constitute an inflation-proof walking bank account, sales of these animals at a discount will lead to further decapitalization of those affected by the disaster.

All the above factors--the agricultural losses, price rises for basic foods, loss of pasture for animals, and decapitalization--point to one conclusion: the 570,000 people in rural areas in Puno (plus some in Cuzco - and possibly Arequipa) are faced by a disaster of great proportions. In addition, many living in pueblos jóvenes in Juliaca, as well as others in towns, will undoubtedly be affected.

4. Demand Analysis

The disaster areas have been visited by assessment teams in order to determine what kinds of assistance are needed and how that assistance will be best delivered. Particularly in the flood areas, this assessment has been extremely difficult to undertake due to lack of accessibility to many smaller towns by road or even in some cases by helicopters because of the continuing rains.

The illustrative list of possible subprojects based on requests received by the GOP as of May 1983 contained in Section III.C. of this PP indicates that the total funding required to undertake the disaster related projects would be \$469,000,000. As the disasters continue both in the north and the south, this list will grow accordingly, requiring additional funding to carry out the relief and rehabilitation. For example recent INP estimates place losses at over \$1.0 billion.

In the northern flood area, it is estimated that \$355 million will be required to carry out already requested disaster relief subprojects, including \$70 million for road equipment; \$50 million for large-scale road, bridge, and irrigation reconstruction; \$30 million for sewage reconstruction; \$25 million for reconstruction of damaged electrical and water lines, airports, and petroleum facilities; \$20 million for housing repairs and reconstruction; \$20 million for credit; and \$20 million for irrigation system repairs among others.

In the southern drought area, requests for relief assistance to date total \$88 million, including \$20 million for credit; \$20 million for seeds and other agricultural supplies; and \$27 million for irrigation activities and well construction, among other subprojects. Approximately \$26 million has been requested for disaster-related activities in other areas outside the immediate disaster zones, particularly for road and bridge upgrading and construction in the high jungle and sierra to facilitate the transport of agricultural produce to flood and drought zones.

To date, approximately \$21.5 million in cash contributions has been provided, in addition to in-kind contributions, by multilateral, bilateral, and private international donors as well as Peruvian public and private resources. The World Bank plans to reprogram ongoing or approved loans for reconstruction purposes. A \$130 million loan program with the Agrarian Bank is expected to begin disbursement soon and will likely be directed in large part to the disaster zones. The IDB is considering a reconstruction loan package of \$60 million as well as a reprogramming of its \$80 million agricultural credit loan. The Andean Development Corporation has provided \$20 million to finance local costs and imported equipment for the disaster zones. The GOP expects to provide \$100 million for the disaster relief effort from sale of Reconstruction Bonds. The total of these resources is \$411.5 million, which still leaves a substantial gap of more than \$57 million of the estimated funding requirements as of May. Moreover, these estimated requirements are continue to grow. Current INP estimates, for example, put the figure at over \$1.0 billion, and the other donor resources will not all be made available in similarly larger amounts. In addition, in the case of reprogrammed loans, it is unlikely that all funds will be reprogrammed to the disaster areas, for that would produce hardships in non-disaster zones. Therefore, it is clear that the requirements for disaster relief funding substantially exceed the funding available.

5. Summary

The extent of the Peruvian natural disaster is becoming clearer each day, as are the probable impacts it will have across the Peruvian social structure. Although the present estimates of disaster losses and damage make no pretense of being definitive, the collection of field data tend to confirm that the present situation will have lasting effects not only on the direct victims of the disasters but also particularly on poor Peruvians as a group. It will have major developmental and financial repercussions at the macro level as well. Since the current economic crisis facing the country will make it impossible for the GOP to meet these costs, and since other donor resources are insufficient, additional sources of funding must be identified to prevent even more far-reaching consequences of the disasters for Peruvian democracy and political stability.

The United States has a large stake in the maintenance and strengthening of Peruvian democracy and in the market-led private sector model of development being pursued by the GOP. Therefore, it is critical that the U.S. now provide significant disaster assistance resources.

D. Environmental Determination

USAID/Peru has undertaken a complete Initial Environmental Examination (IEE) of the Project's environmental impact and has arrived at a recommendation for a negative determination, with which the AA/LAC has concurred. The complete IEE is contained in Annex I, Exhibit F.

V. Implementation Arrangements

A. Administrative Arrangements

1. GOP Implementating Agency

The GOP entity responsible for coordination of the implementation and execution of the Project through the GOP implementing institutions will be the National Development Institute(NDI), through its Disaster Relief and Rehabilitation (DRR) Project Office. The NDI will be assisted in this role by a coordinating unit within the Ministry of Economy and Finance, which will have the responsibility to provide the financial and budgetary resources required for the disaster relief and rehabilitation efforts. This unit, which will assist the NDI in expediting the release of resources for these priority projects, will report directly to the Vice-Minister of Finance. The DRR Office will coordinate activities of the Departmental Development Corporations, and the Ministries, as well as all other implementing institutions participating in the Project. Part III. Section C., and Part IV., Section B. contains a discussion of these arrangements.

The following reports from the DRR office will be required to assist the Mission in monitoring the Project:

a. A monthly summary of activities and expenditures which will highlight potential problems or issues, and which will serve as an agenda for the monthly Project review meetings held between the DRR Project Office and the Mission's Project Manager.

b. A quarterly progress report detailing the advances and expenditures by components and activities, based on the detailed Implementation Plan. This progress report will also contain a two-to-three page summary of each subproject financed with AID funds.

c. An annual summary of accomplishments by components during the calendar year, which will serve as a basis for the joint GOP/AID evaluation.

d. Appropriate reports reflecting compliance with procurement requirements.

2. USAID

USAID/Peru will coordinate closely with the DRR Project Office, the Ministry of Economy and Finance, and with the GOP implementing institutions involved in Project activities to review and monitor overall Project performance and to assist the GOP in Project implementation.

USAID/Peru currently has a large and complex program centered in five major areas: agriculture and rural development; health, nutrition, and education; housing and urban development; private sector development; and food aid. A number of projects have encountered implementation problems and

other delays in the past. So as not to disrupt the increased emphasis the Mission has put on project implementation which management of the disaster related activities might cause, USAID plans to establish a new division within its Office of Development Resources for disaster relief and reconstruction activities. The Mission is requesting an increase of one US direct hire position to fill this position. An experienced finance officer with strong project implementation experience is being requested for this position. The Mission will also fund a local hire Peruvian professional and the US PSC project implementation specialist discussed below to staff this division. The latter positions will be funded with project grant funds.

a. Monitoring

With a rapidly expanding AID relief and reconstruction program in Peru that may total more than \$100 million in new financing, the Mission's relief and reconstruction program will become a new area for Mission monitoring. As discussed above, the Mission will create a new division in the Development Resources Office, the Disaster Relief and Rehabilitation Division, to manage Project activities and coordinate overall Mission inputs. This Division will be staffed by one US direct hire employee, and the Project will fund the services for two years of one local hire employee and a project implementation specialist to assist in the implementation of the Project. AID personnel will work closely with the Project Office and with the DDCs during initial stages of Project execution. Thereafter, USAID's role will principally be one of monitoring Project performance.

Monitoring will be exercised by the USAID Project Manager who will be assisted by two contractors (described above) and a Project Committee composed of the following Officers:

i. A Project Manager will be assigned from the Mission's Office of Development Resources' Disaster Relief, and Rehabilitation Division, and the Mission will use Project Grant funds to finance 24 months of the services of a US PSC Project Implementation Specialist and a local hire contractor to assist the Project Manager in implementing the Project. The Project Manager and his staff will work closely with the GOP DRR Project Office, to ensure that the provisions of the AID Loan Agreement and Implementation Letters are met, and to approve all vouchers for disbursement.

ii. The Mission Food for Peace Officer will monitor requirements and use of all Title II food assistance and manage those Project components which involve Title II food and PVOs.

iii. The Agriculture and Rural Development Office will assist the Project Manager in relation to subprojects in the agriculture and rural development area and in regard to the technical assistance provided to the DDCs and the subprojects funded through these.

iv. The Health, Nutrition, and Education Office will assist the Project Manager in relation to subprojects in health and nutrition and provide technical guidance and implementation assistance for subprojects in these areas.

v. The Urban Development Division will assist in the implementation of the urban and shelter related activities.

iv. The Engineering Division will assist the Project Manager in all matters relating to construction including review and approval of subprojects and site visits to check progress.

vii. The Mission Controller will review disbursement requests for conformity with AID Regulations, and will ensure that adequate financial controls are exercised.

viii. As necessary, other Mission offices may be called upon to review subprojects as required, and to assist with subproject inspections.

b. Reporting

The NDI's records on subprojects will be open to AID. The following reports will be submitted to AID:

i. A Quarterly Progress Report showing the status of commitments, disbursements, and recuperations, detailed by subproject and region.

ii. Quarterly Shipping Reports (to be required only in the event of, and after the initiation of ocean shipping).

iii. An annual audit report prepared by an independent auditor acceptable to AID.

B. Disbursement Procedures

The Mission anticipates that immediately upon meeting initial CPs, a major portion of the initial \$5.0 million in D.A. funds may be disbursed for priority activities required on an emergency basis. As provided by the Project Authorization, eligible activities may be funded from the date of approval of the PID (June 17, 1983) by the LAC Bureau, and the Project Authorization and Agreement will so provide.

No deviation from established AID disbursement procedures is anticipated. Materials and equipment procured in the United States, other Code 941 countries, or Peru will be paid using AID's standard disbursement procedures. Disbursements for local currency costs will likewise be made in an established manner acceptable to AID. These procedures will be transmitted to the Project Office with Implementation Letter(s).

C. Procurement Procedures

Goods and services financed under the Loan and Grant will be in accordance with AID regulations. Host country procurement will be carried out directly by the NDI, the Project Office, DDCs, and other participating GOP agencies. USAID will procure through direct AID contract medicines, vaccines,

and technical assistance services. It is anticipated that technical assistance services may be procured from a number of suppliers from code 941 countries. At the time that such individuals are identified, the Mission will request the appropriate nationality waivers along with necessary ad hoc redelegation of authority.

D. Evaluation Plan

Project evaluation will focus on several issues: (1) the efficacy of the administrative and institutional infrastructure; (2) Project impact on employment, incomes, and living conditions of the inhabitants in the Project area; (3) the implementing institutions' attainment of planned objectives and (4) Project impact on the capacity of the GOP to address disaster reconstruction, rehabilitation and planning. Along with continual Mission monitoring, as described in section V.A., annual evaluations will be undertaken by AID representatives and those of the DRR Office, and the implementing institutions. The Project will place special emphasis on establishing a strong planning and evaluation capacity.

E. Conditions and Covenants

In order to expedite Project implementation, only the legal opinion and designation of official representatives will be required as a condition precedent to initial disbursement.

The Project Agreement will contain a covenant whereby the GOP will agree that all prepared subprojects shall be reviewed to assure that AID Environmental Procedures, 22 CFR part 216, particularly with regard to pesticides, are applied to such subprojects.

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, John A. Sanbrailo, the principal officer of the Agency for International Development In Peru, having taken into account, among other factors, the maintenance and utilization of projects in Peru previously financed or assisted by the United States, do hereby certify that in my judgment Peru has both the financial capability and human resources capability to effectively maintain and utilize the proposed Project: DISASTER RELIEF AND REHABILITATION.

July 20, 1983
Date

John A. Sanbrailo
John A. Sanbrailo
Director
USAID/Peru

STATUTORY CHECKLIST

Disaster Relief and Rehabilitation

527-0277

ANNEX I
Exhibit B
Page 1 of 8

PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

(a) A Congressional Notification for the Project will be sent in accordance with normal procedures prior to signing the Project Agreement.

(b) No

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes

(b) Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.

4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)

The Project is not a water or water-related land resource construction project within the meaning of Section 611(b).

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5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has the Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

A 611(e) certification is included in the project paper, and the Assistant Administrator has taken into account Peru's capability to maintain effectively and utilize the Project.

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

The Project is not susceptible to execution as part of a regional or multilateral project.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The Project encourages Peru's efforts to increase the flow of international trade by fostering the general economic recovery of Peru from the natural disasters, to foster private initiative and competition through restoring necessary infrastructure, to encourage development and use of cooperatives through assistance that benefits agricultural cooperatives affected by the disasters, and to improve the technical efficiency of industry agriculture and commerce by helping to alleviate the damage caused by the disasters to these sectors.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The Project will affect U.S. private trade to the extent that U.S. sources provide equipment, machinery and technical assistance needed to assure success of the relief and rehabilitation effort.

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9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. The GOP will contribute the equivalent of US\$3.4 million to the Project. The U.S. owns no Peruvian currency.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests? A complete IEE has been carried out for the Project and a negative determination was made. Tropical forests are not involved in this Project.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? Not applicable
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B. FUNDING CRITERIA FOR PROJECT

**1. Development Assistance Project
Criteria**

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the selfhelp efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

(a) The Project will involve the poor in development by helping provide Food for Work opportunities in disaster-affected areas, helping restore rural agricultural production, and helping replace and repair rural economic infrastructure damaged by the disasters.

(b) Cooperatives will participate in the relief and rehabilitation effort.

(c) The Project will assist and encourage selfhelp rehabilitation and reconstruction subprojects.

(d) Women will participate on an equal basis in the Project.

(e) The Project will not directly encourage regional cooperation.

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes

c. FAA Sec. 107. In emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using techno-

To the extent feasible, subprojects using appropriate technologies will be financed.

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logies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? Yes
- e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character. No
- f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? Yes

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g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The purpose of the Project is to make operational a coordinating unit and rehabilitation fund with the Ministry of Economy, Finance and Commerce. Though the unit will be in existence only as long as needed to assist in the rehabilitation effort, the unit will represent institutional development utilizing Peru's intellectual resources and talent.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

Peru is currently renegotiating its foreign debt; and when these new arrangements are finalized, Peru will have the capacity to meet its obligations under the Loan.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

Not applicable

c. ISDCA of 1981, Sec. 724(c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?

Not applicable

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3. Economic Support Fund
Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? Not applicable

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? Not applicable

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? Not applicable

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? Not applicable

4. Continuing Resolution for FY 1983, Sec. 133. Notwithstanding any other provision of this joint resolution, none of the funds appropriated under section 101(b) of this joint resolution may be available for any country during any 3-month period beginning on or after October 1, 1982, immediately following the certification of the President to the Congress that such country is not taking adequate steps to cooperate with the United States to prevent There has been no such Presidential certification for Peru.

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narcotic drugs and other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971 (21 U.S.C. 812) which are produced, processed, or transported in such country from entering the United States unlawfully.

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PROJECT AUTHORIZATION

Name of Country: Peru
Name of Project: Disaster Relief and Rehabilitation
Number of Project: 527-0277
Loan Number: 527-T-082

1. Pursuant to Sections 106 and 492(b) of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Disaster Relief and Rehabilitation project for Peru involving planned obligations of not to exceed Four Million United States Dollars (\$4,000,000) in loan funds ("Loan") and Four Million United States Dollars (\$4,000,000) in grant funds ("Grant") over a three (3) year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is three years from the date of initial obligation.

2. The project ("Project") consists of making operational a coordinating unit and a reconstruction fund through the financing and implementation of technical assistance and emergency relief and rehabilitation activities in the northern flood areas, southern sierra drought areas, and disaster-related projects in other areas of Peru.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in U.S. Dollars within twenty five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Commodities, Nationality of Services (Loan)

Commodities financed by A.I.D. under the Loan shall have their source and origin in Peru or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Loan shall have Peru, the United States, or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall be financed only on flag vessels of Peru or countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

c. Source and Origin of Commodities, Nationality of Services (Grant)

Commodities financed by A.I.D. under the Grant shall have their source and origin in Peru or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed under the Grant shall have Peru or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

d. Reimbursement

I hereby approve the use of A.I.D. Project funds to finance eligible Project costs related to emergency relief and rehabilitation activities, technical assistance, disaster-related subprojects and other Project costs incurred on or after June 17, 1983.

(by) John A. Sanbrailo

Mission Director

July 20, 1983

Date

Clearances:

DD:Ghill: (In draft)

DR:GWachtenheim: (In draft)

PROG:RMaushammer: (In draft)

CONT:MRogal: (In draft)

CD:EKadunc: (In draft)

Drafted by:SLRATGeiger:pd

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MINISTERIO DE ECONOMIA, FINANZAS Y COMERCIO

DESPACHO MINISTERIAL

Lima, 11 JUL 1983

Oficio Nº 1913 -83-EFC/75.21

Señor
John A. Sanbrailo
Director de la Agencia
para el Desarrollo Internacional
Ciudad.

Señor Director:

Tengo el agrado de dirigirme a usted en relación a los severos daños ocasionados recientemente por los fenómenos de la Naturaleza en diversos Departamentos del País.

Una evaluación de esos daños, efectuada de modo conjunto con especialistas de ese Organismo, ha permitido estructurar un Proyecto de Ayuda y Rehabilitación que alcanza a la suma de ----- US\$ 13'4 millones, de los cuales el Gobierno Peruano podría aportar US\$ 3'4 millones.

Con la finalidad de financiar totalmente el indicado Proyecto, me permito solicitar a usted que la Agencia para el Desarrollo Internacional se sirva considerar el otorgamiento de un préstamo de US\$ 4'0 millones, en condiciones concesionales, y de una donación por US\$ 6'0 millones

Al agradecer la favorable acogida que se sirva dispensar al presente, me valgo de la oportunidad para renovarle las expresiones de mi consideración distinguida.


CARLOS RODRIGUEZ-PASTOR MENDOZA
MINISTRO DE ECONOMIA, FINANZAS
Y COMERCIO.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20523

LAC/DR-IEE-83-39

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Peru

Project Title and Number : Disaster Relief and Rehabilitation
527-0277

Funding : \$4,000,000 (L), 6,000,000 (G)

Life of Project : two years

IEE Prepared by : Edilberto Alarcon, USAID/Lima

Recommended Threshold Decision : Negative Determination

Bureau Threshold Decision : Concur with Recommendation

Copy to : John Sanbrailo, Director
USAID/Lima

Copy to : Edilberto Alarcon, USAID/Lima

Copy to : Douglas Chiriboga, LAC/DR

Copy to : IEE File

James S. Hester Date 15 July 1983

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Peru

Project Title and Number: Disaster Relief and Rehabilitation
Project No. 527-0277

Funding: G - \$6,000,000 L - \$4,000,000
FY-1983 G-\$2,000,000 L-\$3,000,000
FY-1984 G-\$4,000,000 L-\$2,000,000

IEE Prepared by: Edilberto Alarcon, USAID/Peru
Environmental Coordinator

Date Prepared: June 1983

Environmental Action Recommended:

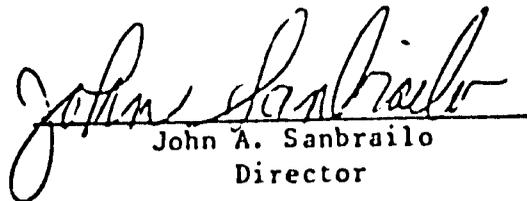
USAID/Peru has undertaken a complete Initial Environmental Examination (IEE) of the project's environmental impacts and has arrived at a recommendation for a Negative Determination as indicated in the Threshold Decision Section of the IEE.

Concurrence:

I have reviewed the Initial Environmental Examination for the Disaster Relief and Rehabilitation Project and concur in the recommendation for a NEGATIVE DETERMINATION.

June 22, 1983

Date


John A. Sanbrailo
Director

INITIAL ENVIRONMENTAL EXAMINATION

DISASTER RELIEF AND REHABILITATION LOAN AND GRANT

I. PROJECT DESCRIPTION

A. Project Goal and Purpose

The goal of the Project is to assist the rural and urban population recover from the devastating effects of the natural disasters which occurred in Peru during the first six months of 1983 and which are still ongoing.

The purpose of this three-year Project is to establish and make operational a coordinating unit (i.e. a Project Office) and a reconstruction fund through the financing and implementation of technical assistance and emergency relief and rehabilitation activities in the northern flood areas, southern sierra drought areas, and disaster-related projects in other areas of the country. This Office will be established to prioritize, coordinate, allocate resources, and supervise implementation of all disaster relief and reconstruction activities and to channel to the affected areas disaster relief funds and supplies from the GOP, other Peruvian public and private agencies and individuals, and bilateral and multilateral donors. Implementation will be carried out principally by the Departmental Development Corporations, and by central Ministries and other public and private agencies.

The Project Office will establish resource allocation procedures and environmental analysis capabilities in order to carry out a review process for all subprojects funded from DA, Title I and II local currency generations, and other donor and Peruvian private and public sector sources. This strategy will focus implementation and execution at the departmental level, but allow the central government to coordinate the various projects. The following eligibility criteria will be employed to focus the Project activities on disaster-related activities:

1. Emergency relief -- medicines, food, temporary shelter, and water and other essential public services;

2. Rehabilitation and Reconstruction -- repair and reconstruction of public infrastructure, housing, and agricultural infrastructure, inputs, and distribution systems;

3. Execution of priority projects related to the disaster, even if not physically in the disaster area -- bridges to bring out additional agricultural production from jungle areas, upgrade limited port, storage, and transportation facilities for food imports, road improvements, supplementary planting of potatoes to produce seed, etc.

4. Activities that put people back to work in areas affected by the disaster and that reactivate the agricultural sector in these areas.

Technical assistance will be provided to the national Project Office, six departmental development corporations (Tumbes, Piura, Lambayeque, La Libertad, and Ancash in the north and Puno in the south) and possibly other public and private agencies. The Chief-of-Party of the technical assistance team will coordinate the other technical assistance and provide high-level expertise to the Project office. A second technician attached to the national level unit but working directly with the individual Corporations, will develop environmental guidelines for Project identification, design, and approval, and supervise the incorporation of environmental considerations in construction activities. At each of the six departmental development corporations a project design and implementation technician will assist the corporations and other public and private organizations in identifying, planning, and implementing priority rehabilitation and reconstruction activities. Two long-term project implementation specialists (contractors) will also be financed for two years with the Grant to assist the GOP and AID in monitoring Project implementation. Finally, the Project will fund the services of local consulting firms who will provide technical assistance to the DDCs in the areas of administration, auditing, and engineering design and supervision.

B. Project Outputs

By the end of the Project, the Project Office will be able to evaluate prioritize and supervise the execution of disaster relief and rehabilitation projects. The Office's cadre of trained individuals at the technical and executive levels will have generated funding from local and international sources to finance disaster relief and rehabilitation activities, and will have planned and implemented the corresponding projects. The Office will have supervised the implementation of subprojects financed by the Project whose value exceeds \$7.9 million, as well as other projects financed by the GOP, and other bilateral and multilateral sources, and public and private Peruvian sources. As a result, it will have the capability to effectively supervise the use of the Title I and II local currency generations and the additional Disaster Assistance resources which the Mission expects to make available.

II. DISCUSSION OF IMPACTS

The nature and scope of the "Disaster Relief and Rehabilitation Project" have been thoroughly considered in the light of the established criteria for conducting an Initial Environmental Examination. The Mission believes that the majority of Project interventions will involve institutional development and activities which will not have a direct impact on the environment, although some of the Project anticipated

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interventions may involve actions affecting the environment.

The Mission is aware that one of the basic functions of the Disaster Relief and Rehabilitation (DRR) Unit that the Project is assisting to create, will be to coordinate the planning and implementation by the Departmental Corporations of projects to restore and upgrade standards of infrastructure facilities destroyed or damaged by natural forces. These projects with different sources of financing will have environmental impacts. It is vitally important that the DRR Office have the technical capability of analyzing the recent environmental changes in the disaster areas and a conducting sound environmental planning of the rehabilitation program as a whole, and detailed investigation of the environmental impact of each specific subproject.

Initially, all subprojects proposed under the project shall be reviewed for consistency with USAID Environmental Procedures, 22 CFR Part 216. In particular, an environmental advisor shall review in accordance with the provisions of 22 CFR 216-3(b), any subproject which proposes the use of pesticides. Initially, the advisor will carry out joint environmental reviews of appropriate subprojects with each implementing agency to help the project staff gain experience and expertise in this area. It is expected that as these agencies become sufficiently experienced in the application of the procedures less detailed follow up will be necessary. Thus as non-AID funded activities continue in years two and three, the long-term regional advisors funded under the Project will be tasked with this responsibility.

Another of the Environmental Advisors' duties, will be to advise the Disaster Relief and Rehabilitation Unit and Development Corporations of opportunities for natural resource development which have arisen from the weather conditions that provoked the disasters this project relieves. The Environmental Advisor shall recommend how to optimize use of such natural resource development opportunities.

In order to assist in creating within the DRR Office, the capability of environmental analysis and planning, the proposed AID Project has included as part of the Technical Assistance component, twelve person-months of an environmental advisor. This advisor will provide assistance to the DRR Office and the Development Corporations to ensure that the overall rehabilitation program gives proper consideration to environmental conditions and constraints. He will also assist the DRR Office and Corporations in the establishment of overall environmental guidelines for the Program, and methodologies for environmental assessment of individual subprojects.

III. RECOMMENDATION FOR ENVIRONMENTAL ACTION:

The nature and scope of this Project has been thoroughly considered in the light of the established criteria for conducting an Initial

Environmental Examination. The conclusion is that the Project finance activities have very little if any potential negative impact on the environment. Furthermore, the Project will provide technical assistance to the Project Office to upgrade its project analysis capabilities for the environmental assessment of infrastructure projects in the disaster areas.

THRESHOLD DECISION

For the reasons cited above, the Mission believes that no further environmental study is necessary at this stage and consequently recommends a NEGATIVE DETERMINATION.

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NNNNVV ETR039ESC067
PP RUFSLM
DE RUEHC #4002/01 1820808
ZNR UUUUU ZZH
P 010525Z JUL 83
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY 0571
BT
UNCLAS SECTION 01 OF 02 STATE 184002

AIDAC

E O. 12356: N/A

TAGS:

SUBJECT: DISASTER RELIEF AND REHABILITATION PID

1. SUBJECT PID WAS REVIEWED AND APPROVED ON JUNE 17, 1983. MISSION IS HEREBY REDELEGATED AUTHORITY TO APPROVE THE PP AND AUTHORIZE THE PROJECT SUBJECT TO THE FOLLOWING CONDITIONS AND GUIDANCE.

2. THE IEE EXEMPTION CITED IN THE PID DOES NOT APPLY TO PROJECT ASSISTANCE, EVEN IF SUCH ASSISTANCE IS RELATED TO A DISASTER. AN IEE SHOULD, THEREFORE, BE FORWARDED FOR APPROVAL PRIOR TO AUTHORIZATION OF THE PROJECT. FOR AS YET UNIDENTIFIED SUBPROJECTS, THE IEE SHOULD DESCRIBE HOW ENVIRONMENTAL CONCERNS WILL BE ADDRESSED DURING THE PROJECT.

3. NO WAIVERS WERE REQUESTED IN THE PID. WE ASSUME, THEREFORE, THAT ANY SOURCE AND ORIGIN OF OTHER WAIVERS THAT MAY BE ANTICIPATED AT THIS TIME WOULD BE WITHIN THE MISSION DIRECTOR'S AUTHORITY. IF UPON FURTHER EXAMINATION, THIS APPEARS NOT TO BE THE CASE, THE MISSION SHOULD EITHER REQUEST A SPECIFIC WAIVER OR AN AD HOC REDELEGATION OF AUTHORITY FOR THIS PROJECT.

4. THE SCOPE AND DURATION OF THE PROJECT WAS THE MAIN ISSUE OF THE DAEC REVIEW. WHILE RECOGNIZING THE EXTENT OF THE DISASTER AND THE AMOUNT OF TIME AND RESOURCES THAT THE GOP WILL REQUIRE FOR RELIEF AND RECONSTRUCTION, THERE WAS A GENERAL CONCERN THAT A.I.D. DISASTER-RELATED ASSISTANCE SHOULD BE KEPT FOCUSED ON PRIORITY INTERVENTIONS AND THAT DEMANDS ON USAID STAFF BE MINIMIZED TO THE EXTENT POSSIBLE. SPECIFICALLY, WITH REGARD TO THE SUBPROJECTS, THE OBJECTIVE SHOULD BE TO ADDRESS KEY RELIEF AND REHABILITATION ACTIVITIES FOR WHICH OTHER FUNDING IS NOT IMMEDIATELY AVAILABLE. SUBPROJECT FUNDS SHOULD BE LARGELY, IF NOT ENTIRELY, DISPURSED WITHIN SIX TO TWELVE MONTHS. (EQUIPMENT IMPORTS WITH LONG DELIVERY PERIODS MAY REQUIRE SOME ADDITIONAL TIME FOR EXPENDITURE.) THESE SUBPROJECT FUNDS SHOULD NOT BE USED FOR DEVELOPMENT ACTIVITIES. FOR KEY REHABILITATION ACTIVITIES THAT REQUIRE LONGER TERM FUNDING, AND WHEN

OTHER FUNDS ARE NOT AVAILABLE TO INITIATE THE ACTIVITIES, SUBPROJECT FUNDING SHOULD BE USED TO INITIATE THE ACTIVITIES, WITH ARRANGEMENTS BEING MADE TO HAVE THE GOP PICK UP FUTURE FUNDING (POSSIBLY WITH PL-480 LOCAL CURRENCY GENERATIONS).

5. AS THIS IS NOT A CREDIT PROJECT, ----- ICI REFERENCE IS NOT APPROPRIATE. -----FOR THE PURPOSE OF SECTION 611(A) OF THE FAA, THE MISSION IS, HOWEVER, CORRECT IN ITS APPROACH OF DEMONSTRATING THAT THE COST OF POTENTIAL RELIEF AND REHABILITATION ACTIVITIES FAR EXCEEDS THE AVAILABLE FUNDING UNDER THE PROJECT.

6. EXPERIENCE ELSEWHERE, E.G. GUATEMALA, INDICATES THAT PROJECT SHOULD PROVIDE FOR ACTIVE BENEFICIARY PARTICIPATION IN SELECTION AND IMPLEMENTATION OF SUBPROJECTS. ALSO RAPID EVALUATION FEEDBACK MECHANISM SHOULD BE ESTABLISHED TO PROFIT FROM EARLY EXPERIENCE WITH SUBPROJECT IMPLEMENTATION.

7. WE CONCUR WITH ESTABLISHING THE PID APPROVAL DATE AS THE DATE FOR EXPENSES ELIGIBLE FOR REIMBURSEMENT. EXPENDITURES MUST COMPLY WITH A.I.D. REGULATIONS HOWEVER.

8. GIVEN THE COMMON EXPERIENCE WITH MISALLOCATION OF RESOURCES IN DISASTER RELIEF AND REHABILITATION ACTIVITIES WORLDWIDE, INCLUDING PERU, MISSION IS ENCOURAGED TO HAVE PROJECT FUNDED TECHNICAL ASSISTANCE HELP GOP ESTABLISH CONTROLS COMPATIBLE WITH THE NEED TO MOVE FUNDS RAPIDLY.

9. THE GOP REVIEW, APPROVAL AND COORDINATION PROCESS FOR THE PROJECT APPEARS CUMBERSOME AND COMPLICATED. WHILE THE GOP HAS ALREADY LARGELY DETERMINED THE INSTITUTIONAL STRUCTURE FOR DISASTER RELIEF AND REHABILITATION ACTIVITIES, MISSION IS NONETHELESS ENCOURAGED TO REVIEW WHETHER THE INSTITUTIONAL ARRANGEMENT DESCRIBED IN THE PID CAN BE FURTHER SIMPLIFIED.

10. THE FY 83 FUNDING PRESENTLY AVAILABLE FOR THIS PROJECT IS DOLS. 3.0 MILLION SDA LOAN AND DOLS. 2.0 MILLION GRANT FROM PRIOR YEAR DEOBLIGATED FUNDS. PROJECT AUTHORIZATION SHOULD STATE THAT THESE GRANT FUNDS ARE AUTHORIZED PURSUANT TO THE AUTHORITY UNDER SECTION 492(6) OF THE FAA.

11. REGARDING THE EXTRA USDH POSITION DESCRIBED IN THE PID, LAC BUREAU WILL ENDEAVOR TO OBTAIN APPROVAL FOR EXTRA SLOT BUT CANNOT AT THIS TIME GUARANTEE APPROVAL. WE ASSUME MISSION CAN HANDLE PROJECT REQUIREMENTS THROUGH OTHER MEANS UNTIL SUCH TIME AS USDH PROJECT MANAGER CAN BE ASSIGNED. WHILE LAC IS WELL AWARE OF USAID/PERU WORKLOAD, MISSION SHOULD BE ADVISED THE USDH
BT

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POSITIONS REMAIN QUITE LIMITED IN THE BUREAU AND FUTURE
PERU PROGRAM WILL, BY NECESSITY, BE REVIEWED IN TERMS OF
IMPACT ON MISSION'S ABILITY TO IMPLEMENT EXISTING
PORTFOLIO WITHOUT ADDITIONAL USDP POSITIONS. DAM

BT
14002



Decreto Supremo

Nº 221-83-ETC.

EL PRESIDENTE DE LA REPUBLICA

CONSIDERANDO:

Que la Ley N° 23592 contempla medidas destinadas a la atención, rehabilitación y reconstrucción de las zonas del territorio nacional afectadas por los fenómenos de la naturaleza ocurridos en el año 1983;

Que, con arreglo a lo dispuesto por los artículos 9° y 15° de la mencionada Ley N° 23592, es necesario determinar las entidades ejecutoras del gasto y el manejo de los recursos financieros, para los fines a que se contrae dicha ley;

De conformidad con lo previsto por el artículo 12° de la Ley N° 23592; y,

Con el voto aprobatorio del Consejo de Ministros;

DECRETA:

Artículo 1°.- Los recursos provenientes de la aplicación de la Ley N° 23592 serán depositados en una cuenta denominada "Cuenta Especial - Ley N° 23592", que el Tesoro Público abrirá en el Banco de la Nación.

Artículo 2°.- Los recursos financieros a que se refiere el artículo anterior serán administrados con arreglo a las disposiciones de la Ley del Presupuesto del Sector Público para 1983, N° 23556.

Consecuentemente, el proceso de ejecución presupuestaria y particularmente la adquisición de bienes, prestación de servicios, contratación de estudios y obras se sujetará a los requisitos de licitación pública, concurso público de precios o de méritos o adjudicación directa, de conformidad con las normas de la Ley N° 23556, con la excepción prevista en el inciso b) del artículo 27° de dicha ley y en el artículo 1° del Decreto Supremo N° 032-83-PCM.

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Artículo 3°.- El Instituto Nacional de Planificación, a base de la información que le proporcionen las respectivas Corporaciones Departamentales de Desarrollo, someterá un Programa Integral de rehabilitación y reconstrucción de las zonas afectadas por los desastres de la naturaleza a la consideración del Comité Interministerial de Asuntos Económicos y Financieros, el que será aprobado ulteriormente por Decreto Supremo expedido con el voto aprobatorio del Consejo de Ministros.

El Programa tendrá preferentemente en cuenta el empleo intensivo de mano de obra y de la oferta de bienes y servicios de cada una de las zonas afectadas, y contendrá el porcentaje de los recursos financieros que se destine a fines de reconstrucción y rehabilitación a cada Corporación Departamental, y al Ministerio de Transportes y Comunicaciones para los proyectos del plan vial básico nacional y de aeropuertos. Dicho Programa deberá ser elaborado en un plazo que no exceda de veinte días.

Artículo 4°.- Las Corporaciones Departamentales de Desarrollo serán las entidades ejecutoras del gasto a que se refiere el presente Decreto Supremo.

Los proyectos considerados en el Programa Integral a que se contrae el artículo anterior serán ejecutados directamente por las Corporaciones Departamentales de Desarrollo o, por encargo de éstas, por los Ministerios, Municipalidades y demás organismos y entidades especializadas del Estado.

La ejecución del plan vial básico nacional y de aeropuertos será encargada al Ministerio de Transportes y Comunicaciones, teniendo en cuenta las prioridades que en cada caso establezca la respectiva Corporación Departamental.

Artículo 5°.- La Dirección General de Presupuesto Público proveerá a las Corporaciones Departamentales de Desarrollo de los recursos necesarios para la ejecución de los proyectos de reconstrucción y rehabilitación incluidos en el Programa Integral, de acuerdo a los calendarios de ejecución proporcionados por las mismas Corporaciones y a las disponibilidades con que cuenta.

Artículo 6°.- Por Resolución Ministerial de Economía, Finanzas y Comercio podrá dictarse medidas provisionales para la ejecución del gasto que, con carácter de urgencia y en tanto se aprueba el Programa Integral, requieran realizar las Corporaciones Departamentales de Desarrollo.

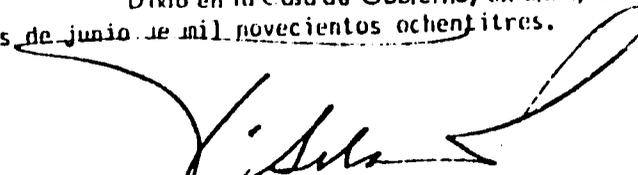
Artículo 7°.- Los recursos financieros que se asigne a los proyectos incluidos en el Programa Integral tendrán el carácter de intangibles y no podrán ser transferidos a otros proyectos que no formen parte de dicho Programa.

Artículo 8°.- El Comité Interministerial de Asuntos Económicos y Financieros supervisará la ejecución del Programa Integral.

Artículo 9°.- Los recursos a que se refiere el artículo 4° de la Ley N° 23592 podrán ser utilizadas como contrapartida de los créditos externos a que se controa el artículo 3° de dicha ley.

Artículo 10°.- El presente Decreto Supremo será refrendado por el Presidente del Consejo de Ministros y el Ministro de Economía, Finanzas y Comercio.

Dado en la Casa de Gobierno, en Lima, a los seis días del mes de junio de mil novecientos ochentitres.



FERNANDO BELAUNDE TERRY
PRESIDENTE CONSTITUCIONAL DE LA REPUBLICA



FERNANDO SCHWAIB LOPEZ ALDANA
PRESIDENTE DEL CONSEJO DE MINISTROS



CARLOS RODRIGUEZ PASTOR MIGUELEZ
Ministro de Economía, Finanzas y Comercio

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DIARIO OFICIAL

EL PERUANO

NORMAS LEGALES

"Año del Bicentenario del Nacimiento del Libertador Simón Bolívar"

Lima, Martes 28 de Junio de 1983

Director: Jesús Mimbela Pérez

AÑO. III — No. 907

DECRETO LEGISLATIVO

MODIFICAN VARIOS ARTICULOS DEL DECRETO LEGISLATIVO N° 217

DECRETO LEGISLATIVO N° 781

EL PRESIDENTE DE LA REPUBLICA

POR CUANTO:

El Congreso de la República del Perú de conformidad con lo previsto en el Artículo 107 de la Constitución Política, por Ley N° 23601, —promulgada con fecha 27 de mayo de 1983— ha delegado en el Poder Ejecutivo la facultad de modificar la Ley del Poder Ejecutivo, en cuanto a las atribuciones del Presidente del Consejo de Ministros en asuntos multisectoriales, regionales y departamentales, así como de los Proyectos Especiales de Desarrollo;

Que, es necesario desconcentrar y racionalizar las responsabilidades asignadas al Presidente del Consejo de Ministros; reestructurándolas con criterio técnico y en función de su carácter eminentemente coordinador de la ejecución de la Política General de Gobierno;

Con el voto aprobatorio del Consejo de Ministros;

Ha dado el Decreto Legislativo siguiente:

Artículo 1°— Modifícanse los Artículos 13°, 14°, 15°, 16°, 56° y 59° del Decreto Legislativo N° 217, por los siguientes:

Artículo 13°— El Presidente del Consejo de Ministros colabora con el Presidente de la República en la ejecución de la Política General de Gobierno y coordina la acción de los diversos Ministerios en función de dicha política.

El Presidente del Consejo de Ministros debe ser titular de un Ministerio.

Artículo 14°— Son atribuciones del Presidente del Consejo de Ministros:

- Presidir el Consejo de Ministros en ausencia del Presidente de la República;
- Proponer al Presidente de la República el nombramiento de los Ministros y opinar sobre la remoción de éstos;
- Concurrir a las Cámaras reunidas en Congreso, en compañía de los demás Ministros para exponer y debatir el Programa General de Gobierno y las principales medidas políticas y legislativas que requiera su gestión;
- Colaborar con el Presidente de la República en la elaboración, dirección y ejecución de la política y Programa General de Gobierno;
- Presidir las Comisiones Permanentes de Coordinación,
- Coordinar las relaciones del Gobierno Central con los Gobiernos Locales y con las Corporaciones Departamentales de Desarrollo;
- Refrendar Decretos y Resoluciones Supremas que le correspondan; y,
- Ejercer las demás atribuciones que le encomiende el Presidente de la República.

Artículo 15°— La Oficina del Presidente del Consejo de Ministros constituye un Pliego Presupuestal cuyo titular es el Presidente del Consejo de Ministros.

Por Decreto Supremo, con el voto aprobatorio del Consejo de Ministros, se establecerá su organización y funciones.

Artículo 16°— Las siguientes Comisiones Permanentes de Coordinación actúan bajo la conducción del Presidente del Consejo de Ministros:

- Comisión Interministerial de Asuntos Económicos y Financieros; y,
- Comisión Interministerial de Asuntos Sociales.

Dichas Comisiones de Coordinación estarán integradas por los Ministros de los Sectores involucrados. El Presidente del Consejo de Ministros podrá delegar la presidencia de ambas al Ministro de Economía, Finanzas y Comercio.

Artículo 56°— Son organismos dependientes de la Oficina del Presidente del Consejo de Ministros:

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- a) El Instituto Nacional de Administración Pública; y,
b) El Instituto Nacional de Fomento Municipal.

Artículo 59.— El Consejo Nacional de Población está encargado de promover, coordinar y normar las acciones de política de población, que realizan las entidades del Sector Público; así como las acciones que realiza el Sector Privado. Constituye un Programa del Pliego de la Oficina del Presidente del Consejo de Ministros.

Artículo 60.— Deróganse los Artículos 667, 677 y 687 del Decreto Legislativo No. 217.

Artículo 61.— Agrégase al Decreto Legislativo No. 217 la siguiente Disposición Especial:

"Disposición Especial.— Créase el Instituto Nacional de Desarrollo encargado de la coordinación y conducción de las Autoridades Autónomas de los Proyectos Hidráulicos y Proyectos Especiales de Sierra y Selva. Coordina también el desarrollo de las actividades de la Autoridad Autónoma de Majes con arreglo a su régimen especial.

El Instituto coordinará, así mismo, las actividades de la reconstrucción de las zonas afectadas por desastres y situaciones de emergencia, con las respectivas Corporaciones Departamentales y las demás entidades del Estado.

El Instituto Nacional de Desarrollo constituye un pliego presupuestal cuyo titular es el jefe del mismo, quien tiene rango de Ministro de Estado y es designado por el Presidente de la República de quien depende directamente.

Por Decreto Supremo, con el voto aprobatorio del Consejo de Ministros, se reglamentará su organización y funciones.

La Oficina del Presidente del Consejo de Ministros prestará el apoyo necesario para la coordinación del Instituto con los ministerios y reparticiones del Estado".

Artículo 62.— Modifícanse la Tercera, Cuarta, Quinta y Sexta Disposiciones Generales y Transitorias del Decreto Legislativo No. 217, cuyos textos serán los siguientes:

"Tercera.— Transfírese el Instituto Nacional de Estadística al Ministerio de Economía, Finanzas y Comercio.

Cuarta.— Transfírese el Consejo Nacional de Ciencia y Tecnología al Ministerio de Educación.

Quinta.— Transfírese el Sistema Nacional de Desarrollo de la Propiedad Social al Ministerio de Trabajo y Promoción Social.

Sexta.— Transfírese al Instituto Nacional de Desarrollo las Autoridades Autónomas de los Proyectos Hidráulicos y los Proyectos Especiales de Sierra y Selva dependientes de la Oficina del Presidente del Consejo de Ministros, con excepción del Proyecto Especial de Servicios Comunales".

Artículo 63.— Agrégase al Decreto Legislativo No. 217 las siguientes Disposiciones Generales y Transitorias.

"Séptima.— Transfírese el Proyecto Especial Obra Museo Nacional de Antropología y Arqueología del Ministerio de Industria, Turismo e Integración a la Oficina del Presidente del Consejo de Ministros.

Octava.— El Consejo Superior de Proyectos Hidráulicos constituirá el órgano consultivo del Instituto Nacional de Desarrollo, cuyo reglamento establecerá su nueva denominación, composición y funciones.

Novena.— El Ministerio de Economía, Finanzas y Comercio será responsable del proceso de extinción y liquidación de los Organismos Regionales de Desarrollo y Comités Departamentales de Desarrollo. Serán de cargo de dicho ministerio el pago de las pensiones del personal cesante y jubilado de los órganos centrales de los ORDES y CODES y las remuneraciones del personal declarado excedente luego del proceso de extinción de los mismos.

Décima.— El pago de las pensiones del personal cesante y jubilado que actualmente se abona por el Pliego de la Presidencia del Consejo de Ministros y que corresponda a ministerios o a organismos e instituciones que hubieran sido dependencias del Primer Ministro o de la Presidencia del Consejo de Ministros serán de cargo de dichas entidades. Las citadas pensiones serán de cargo del Ministerio de Economía, Finanzas y Comercio cuando se trata de entidades que se hubieran extinguido o no hubieran sido asumidas por otras; así mismo, dicho Ministerio se hará cargo del pago de las pensiones de gracia que se abonan por el Pliego de la Presidencia del Consejo de Ministros.

Décima Primera.— Las disposiciones del presente Decreto Legislativo que impliquen modificación del presupuesto para el Sector Público, entrarán en vigencia a partir de su publicación".

Artículo 64.— La Oficina del Presidente del Consejo de Ministros y el Ministerio de Industria, Turismo e Integración transferirán los recursos humanos, presupuestales y materiales que correspondan a efectos del cumplimiento de lo dispuesto en los Artículos 4º y 5º del presente Decreto Legislativo; las transferencias operarán a partir de la fecha de su promulgación.

Las acciones relativas al proceso de transferencia y la reestructuración que deberán efectuar los organismos a que se refiere el presente Decreto Legislativo quedarán concluidas dentro del Ejercicio Presupuestal de 1983.

Artículo 65.— Deróganse todas las disposiciones que se opongan al presente Decreto Legislativo.

Artículo 66.— El presente Decreto Legislativo entrará en vigencia a partir de su publicación.

POUR TANTO:

Mando se publique y cumpla, dando cuenta al Congreso.

Dado en la Casa de Gobierno, en Lima, a los veinticuatro días del mes de Junio de mil novecientos ochentitrés.

FERNANDO BELAUNDE TERRY, Presidente Constitucional de la República.

FERNANDO SCHWALB LOPEZ ALDANA, Presidente del Consejo de Ministros.

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4-0 (12/28/72)

PROJECT DESIGN SUMMARY LOGICAL FRAMEWORK

Life of Project:
From FY 83 to FY 85
Total U. S. Funding US\$10,000,000
Date Prepared: 5/10/83

Project Title & Number: Disaster Relief & Rehabilitation 527-0277

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																								
<p>Program or Sector Goal: The broader objective to which this project contributes: To assist the rural and urban population to recover from the devastating effects of the natural disaster which occurred in Peru during the first six months of 1983 and are still ongoing.</p>	<p>Measures of Goal Achievement: Ag. production returned to at least pre-disaster levels. Level of public services and status of infrastructure returns to at least pre-disaster levels. Number of housing units maintained at or increased beyond pre-disaster numbers. Employment opportunities and incomes increased in disaster-affected areas.</p>	<p>GOP reports. PO monitoring and records. AID monitoring and evaluations.</p>	<p>Assumptions for achieving goal targets: Weather conditions in Peru stabilize.</p>																																								
<p>Project Purpose: To establish and make operational a coordinating unit within the newly created National Development Institute and a reconstruction fund through the financing and implementation of emergency relief and rehabilitation activities in the northern flood areas, southern drought areas, and disaster-related projects in other areas of the country.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. GOP will be able to respond efficiently and effectively to implement disaster relief and reconstruction.</p>	<p>AID monitoring and evaluations.</p>	<p>Assumptions for achieving purpose:</p>																																								
<p>Outputs: 1. Project TA in place. 2. Supervision of disaster relief and rehabilitation (DRR) subprojects carried out by Project Office (PO). 3. PO staff generating funding for subprojects, and DDC's, Ministries, and Peruvian public and private agencies are executing subprojects. 4. PO effectively supervising AID Title I and II local currency generations uses.</p>	<p>Magnitude of Outputs: 1. a. LT - 16 work years b. ST - 28 work months 2. \$5.95 million in AID funds disbursed. 3. \$2.05 million in subprojects executed. 4. \$20.5 millions in Title I and II.</p>	<p>AID monitoring.</p>	<p>Assumptions for achieving outputs: 1. Contract for TA is executed. 2. Project Office created and staffed. 3. DDC's Ministries and public and private agencies effectively organized to carry out subprojects. 4. Project Office created and staffed.</p>																																								
<p>Inputs: 1. Technical Assistance ST ST Local Consulting Firms 2. Operational Support GOP PVCs 3. DRR subprojects</p>	<p>Implementation Target (Type and Quantity) A.I.D.</p> <table border="1" data-bbox="650 1424 1072 1651"> <thead> <tr> <th>Grant</th> <th>Loan</th> <th>SubTotal</th> <th>GOP</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>420</td> <td>-</td> <td>420</td> <td>-</td> <td>420</td> </tr> <tr> <td>3080</td> <td>-</td> <td>3080</td> <td>-</td> <td>3080</td> </tr> <tr> <td>500</td> <td>1000</td> <td>1500</td> <td>-</td> <td>1500</td> </tr> <tr> <td>-</td> <td>950</td> <td>950</td> <td>500</td> <td>1450</td> </tr> <tr> <td>2000</td> <td>-</td> <td>-</td> <td>640</td> <td>2640</td> </tr> <tr> <td>-</td> <td>2050</td> <td>2050</td> <td>2700</td> <td>4250</td> </tr> <tr> <td>6000</td> <td>4000</td> <td>10000</td> <td>3340</td> <td>13340</td> </tr> </tbody> </table>	Grant	Loan	SubTotal	GOP	Total	420	-	420	-	420	3080	-	3080	-	3080	500	1000	1500	-	1500	-	950	950	500	1450	2000	-	-	640	2640	-	2050	2050	2700	4250	6000	4000	10000	3340	13340	<p>AID and GOP budgets.</p>	<p>Assumptions for providing inputs: 1. AID and GOP make resources available.</p>
Grant	Loan	SubTotal	GOP	Total																																							
420	-	420	-	420																																							
3080	-	3080	-	3080																																							
500	1000	1500	-	1500																																							
-	950	950	500	1450																																							
2000	-	-	640	2640																																							
-	2050	2050	2700	4250																																							
6000	4000	10000	3340	13340																																							

TECHNICAL ASSISTANCE PLAN

TA under the Project would be provided to: (A) the national Disaster Relief and Reconstruction Office (DRR) of the National Development Institute (NDI) - 1 LT Advisor in project management and national disaster relief organization, who will also act as Chief-of-Party supervising the other LT and ST/TA provided to the NDI and the Departamental Development Corporations; and 1 LT Advisor in environmental analysis. (B) Six Departamental Development Corporations (DDCs) - one LT advisor per DDC in project management and regional disaster relief organization. (C) One LT Advisor will act as the AID/GOP project liaison. He will not be supervised by Chief-of-Party.

Living and working conditions outside of Lima will range from acceptable to harsh. English language primary and secondary education probably not available outside of Lima. Mission support will be minimal outside of Lima. Salary will be commensurate with experience and past earning history.

Personal and professional characteristics desirable include:

- A. Able to work in unstructured environment;
- B. Self-starter;
- C. High personal energy levels;
- D. Ability to work through associates and to build teams to solve problems without formal supervisory hierarchy.

1. Project Coordinator (AID/GOP Project Liaison)

A. Requirements: (1) Specialized experience in project implementation; (2) Background in engineering is desirable; (3) Experience working in disaster relief programs, particularly flood and drought relief; (4) Management Experience; (5) Previous AID project implementation experience, desirable; (6) Spanish FSI -S-3/R-3, or equivalent.

B. Duties: (1) Contractor will be responsible for reviewing subproject proposals and advising the GOP as to eligibility and presenting these projects to AID; (2) Contractor will be responsible for monitoring subproject implementation; (3) Contractor will report regularly both to AID and to the GOP on subproject progress and general status of relief efforts.

C. Duty Station: Lima.

D. Duration of Services: 24 months.

E. Travel within Peru at least 50% of time.

2. National-Level Project Advisor

A. Requirements: (1) Background in project design, development, and implementation; (2) Experience working in disaster relief programs, particularly flood or drought relief; (3) Management experience, previous AID project implementation experience desirable; (3) Spanish FSI - S-3/R-3, or equivalent.

B. Duties: (1) Contractor will assist the GOP to develop and implement a system for the identification, prioritization, evaluation, approval, design, and implementation of disaster relief and rehabilitation project; (2) Contractor will assist in the overall administration of the disaster relief program, including supervision of subproject implementation and follow-up on project impact and cost; (3) Contractor will assist GOP in developing and implementing appropriate project reporting systems for GOP, AID and other donors; (4) Contractor will act as Chief-of-Party supervising other LT/TA described in paras eight through ten.

C. Duty Station: Lima

D. Duration of services: 24 months.

E. Travel within Peru: at least 50% of time.

3. Environmental Advisor

A. Requirements: (1) Degree in environment-related field of study and field experience, particularly in dealing with environmental problems caused by flooding and/or drought; (2) Previous AID project implementation experience desirable; (3) Spanish FSI-S-3/R3, or equivalent.

D. Duties: (1) Contractor will assist the GOP (NDI and DDCs) to develop and implement a set of environmental guidelines to be applied to the subproject design, review, and approval process; (2) Contractor will assist in the application of these guidelines by examining early subprojects to determine their environmental impact.

C. Duty Station: Lima.

4. DDC Advisor - Flood Zones (Five contractors)

A. Requirements: (1) Background in engineering, finance, construction, health and sanitation, irrigation system construction and rehabilitation, housing reconstruction, food distribution programs, or related fields; (2) Experience working in disaster relief programs, particularly flood relief; (3) Management experience; (4) Experience in project identification and analysis, feasibility studies, project implementation, and supervision; (5) Previous AID project implementation experience desirable; (6) Spanish FSI S-3/R-3, or equivalent.

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B. Duties: (1) Contractor will be responsible for advising each respective DDC and assisting the Corporation in identifying and prioritizing potential subprojects in each department; (2) Contractor will supervise the subproject feasibility studies and will recommend projects for approval; (3) Contractor will assist in procurement, working with various agencies and ministries, and monitor the implementation of approved subprojects; (4) Contractor will assist in the overall administration of the disaster relief program in his particular DDC, and in general involve himself in any activity required to promote the effective and expeditious implementation of the disaster relief effort.

C. Duty Stations: Cities of Tumbes, Piura, Chiclayo, Trujillo, and Chimbote. One Contractor will be assigned to each city.

D. Duration of Service: 24 months.

E. Travel within Departments: at least 50% of time.

5. DDC Advisor - Drought Zone

A. Requirements: General agriculture engineer with specific irrigation experience, capable of assessing the feasibility of drilling wells that use motor or hand pumps and to provide expertise in designing small irrigation projects in emergency drought areas; (2) Experience working in agriculture and disaster relief programs, particularly drought relief; (3) Management Experience; (4) Experience in project identification and analysis, feasibility studies, project implementation, and supervision; (5) Experience working with native Andean cultures, especially Aymara and Quechua desirable; (6) Previous AID experience desirable; (7) Spanish FSI S-3/R-3 or equivalent.

B. Duties: (1) Contractor will be responsible for advising the DDC in general and assisting the Corporation in identifying and prioritizing potential subprojects in the drought area; (2) Contractor will review the subproject feasibility studies and will recommend projects for approval; (3) Contractor will assist in procurement, working with various agencies and ministries, and monitor the implementation of approved subprojects; (4) Contractor will assist in the overall administration of the disaster relief program in the drought area, and, in general, involve himself in any activity required to promote the efficient and expeditious implementation of the disaster relief effort.

C. Duty Station: City of Puno.

D. Duration of Services: 24 months.

E. Travel within Department at least 50% of time.

TELEGRAM

ANNEX II
Exhibit C - 1

FROM AMEMBASSY LIMA	CLASSIFICATION UNCLASSIFIED
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12356
E.O. 12958:
TAGS:
SUBJECT:
ACTION:
AMB
DCM
AID
CHRON

N/A
Disaster Situation Report # 1

SecState WASHDC IMMEDIATE
INFO: MCHEN GUAYAQUIL, AMEMBASSY QUITO
UNCLAS LIMA 1461

AIDAC

REFS: (a) LIMA 1036, (b) LIMA 1336

~~Disaster Situation Report # 1~~

1. After our disaster alert messages, heavy rains in the Northern departments of Tumbes and Piura ceased for three days. However, beginning Friday evening, the region was deluged for an additional 16 hours. As a result, a total of 20,000 families are reported to have lost their houses in Piura and Tumbes. Roads have been washed away in numerous places with the Pan American highway cut in several ^{areas} ~~places~~ between Tumbes and Piura. Road transport between major towns in the area is not possible. While airports are open in Tumbes, Talara and Piura, ground travel from airports is extremely limited. In Tumbes, travel from airport to town is not possible. While satellite telephone contact is maintained with the major towns of Piura,

CLASSIFIED BY - DD:GAU:11-1d /4/	DRAFTING DATE 2/10/83	TEL. EXT. 442	CONTENTS AND CLASSIFICATION APPROVED BY D:JASARVALLO
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LCM:Slaterby 

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FORMERLY 10-4-3
JANUARY 1975
DEPT. OF STATE

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Sullana, Paita, Talara and Tumbes, many surrounding towns and villages are isolated and conditions in them are unknown.

2. The GOP is mobilizing substantial assets to assist the region. Two coastal cargo ships have been sent to the area with food and fuel (gasoline) (kerosene) as have two water tank ships with potable water. The Air Force has deployed their aircraft consisting of C-130 Hercules, Canadian Buffaloes, helicopters making daily flights in and around the area.

3. While relief efforts from Lima are being coordinated by Civil Defense office, the GOP is relying on local emergency committees and Department Development Corporations to execute relief activities in Tumbes and Piura.

4. To date U.S. has presented \$25,000 disaster relief check to GOP Director General of foreign relations. Funds are being directed to local committees in Tumbes and Piura for emergency purchases to facilitate relief efforts. U.S. through OFASA - Obra Filantrópica y Asistencia Social Adventista and the National Food Office has released 300 M.T. of food for distribution in the area.

5. We are prepared to release additional quantities from approximately 1,200 MT Voltag Title II food still in Lima warehouses when distribution and storage capability assessed in area.

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6. Future actions:

Director and GOP officials plan visit area Saturday.

Have requested 4 days TDY assistance from Jackson, IN Ecuador. Expect him to arrive Sunday and spend Monday and Tuesday in disaster area with USAID assessment team.

7. To date, USG has received following requests for assistance:

a) From Civil Defense

Supplies for 170,000 affected ~~xxxx~~ families specifically food rations for 30 days, medicine and vaccines for triple, tetanus, typhoid, bronchitis, and diarrhea, with disposable needles.

4 cylinders of tables to make potable water.
water

50 pumps to evacuate/from low lying areas.

10,000 liters of insecticide.

50 portable insecticide sprayers.

200 hand sprayers

600,000 square meters of tin roofing

hand tools (picks and shovels)

b) The National Food Office has requested 4000 Metric Tons of food from Title II stocks. USAID awaiting assessment of storage and distribution capability, in area before deciding on quantities to be released.

8. USAID evaluating requests with other donor agencies

represented here.

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TELEGRAM

INDICATE
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 CHANGE TO USAID

1466

12356
E.O. 12812
TAGS:
SUBJECT:

FROM AMEMBASSY LIMA CLASSIFICATION UNCLASSIFIED

N/A
Disaster Situation Report #2 - Background

ACTION: BeoState, WASHDC, ~~IMMEDIATE~~
INFO: ~~IMMEDIATE~~
~~IMMEDIATE~~
UNCLASSIFIED LIMA 1466
ASDAC

GUAYACUIL FOR GERSONY
1. Following table provides background data on amount of rain received in at Tumbes, Piura, Talara during last month:

	MM	Tumbes	Talara	Piura
January 1983		297	156	268
Maximum recorded		50	30	10
Average				

Extremely heavy rains were received in early February, but no rain has fallen in area since Monday.

2. Peruvian Civil Defense Damage report Summary:
Tumbes:
Agriculture - 5000 hectares affected, mostly rice.
Transport - No land communication, only isolated routes.
Housing - Estimated damage to houses and water systems due to the water treatment plant.

Copy of file

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Health - Fear of epidemics, lack of medicine

Education - 22 schools damaged.

Flora:

Agriculture - 1,500 hectares affected

Transport - Same as for Turkes

Housing - Same as for Turkes

Health - Same as for Turkes

Civil defense estimates that 170,000 families totaling about 850,000 persons are affected by the flood emergency.

3. In addition to supplies sent to area listed in Situation Report #1, the naval transport ship Falta left Callao Feb. 9 with:

80 Tons of roofing sheets

13 Tractors

4 Road graders

6 Front loaders

39 Dump trucks and flat bed trucks.

150 Tons of U.S. Title II food

25 Bales of cloths

The ship is scheduled to pick up an additional 100 Tons of roofing sheets at SIDERPERU plant in Chinbote.

4. Peruvian and international agencies represented at Civil Defense coordinating meeting Feb. 10 included: Red Cross, OFAA - ~~Obra~~ Obra Filantropica y Asistencia Social Adventista.

CAPITAS/CRS UNICEF, INABIF - Instituto Nacional de Bienestar de la Familia, ALAFARPE - Asociación Nacional de Laboratorios Farmaceuticos, The Aero Club de Peru, UN Disaster Relief organization, Peruvian National Food Office, OXFAM and AID.

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TELEGRAM

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<p>12356 E.O. XXXX: TAGS: SUBJECT: ACTION: DIST AMB DCM AID CENON</p>	<p>FROM AMBASSY LIMA</p>	<p>CLASSIFICATION UNCLASSIFIED</p>	
	<p>R/A 7</p> <p>Peru Flood disaster - Sitrep #3 - Northern Department Update</p> <p>SecState WASHDC IMMEDIATE INFO: Embassy QUITO UNCLAS LIMA 3949</p> <p>AIDAC</p> <p>FOR OFDA, AID/W</p> <p>1. Sporadically heavy rains continue to assault Northern Departments of Piura and Tumbes. Heavy rains have moved South as well affecting Chiclayo, Trujillo, Chimbote, Casma, Huarmey and Supe directly or by flash flooding effects from rains in Sierra foothills. PanAmerican highway continues to be impassable beyond Chiclayo and is periodically cut by flooding at other places during periods of heavy rain and for some hours thereafter! Highway currently is impassable north of <u>Chimbote</u>.</p> <p>2. Mission team visited Piura, Talara, Tumbes Thursday through Saturday, with separate group enroute travelling to Chimbote to assess new reports of major flooding and heavy damage in that city. Piura/Tumbes report follows, Septel on Chimbote.</p>		

<p>DRAFTED BY ED:CARILLAS</p>	<p>DRAFTING DATE 4/18/83</p>	<p>TEL EXT 412</p>	<p>CONTENT'S AND CLASSIFICATION APPROVED BY P.JASambrillo</p>
<p>CLEARANCES</p> <p>DD:CAF DD:IDAF DD:IDAF DD:IDAF</p>			

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(Formerly SF-44)
January 1962
Dep. of State

Summary:

3. Local officials including Mayor of Piura, President of Department Development Corporation (CORDE), Departmental Emergency Committee including Peruvian armed forces are not ~~meeting~~ ^{working} well together in confronting flood conditions. President Belaunde named on 4/14/83 an overall coordinator for disaster assistance and reconstruction for Piura, the head of the GOP's Banco de Materiales. The area is clearly showing signs of deterioration and important sections of the Department remain isolated from population centers. The collapse of La Independencia bridge between Piura and Bajo Piura and the breaching of river defenses in Bajo Piura on March 27 substantially extended the flood area while compounding the difficulty of providing food, medical supplies and assessing damage among the 25,000 families in that area. END SUMMARY.
4. The Departments of Piura and Tumbes continue to be cut off from land access to the South. Access from Piura through Sullana to the sea coast at Talara was restored Thursday, April 14 for the first time in over a week. Road access to coast remains tenuous depending on rainfall.
5. With population of 1.1 million people, Piura is the most populous Department outside of Lima. Nearly everyone has been affected to some extent by the heavy rains and resulting floods and landslides.

6. About 20% of the city of Piura is under from several inches to six feet of water and sewerage. Located in low spots behind river defenses, these ponds engulf some 1800 houses, a major vocational school, ~~secondary school~~ many schools, ~~and~~ a fish wholesale

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Original: 1/20/1977
 Summary: 11/1/78
 Date: 1/1/79
 Date: 1/1/80

market and have forced the evacuation of about ²⁵⁰ ~~2000~~ stalls in the large central market. Municipality has some 20 pumps working on these areas and on the ruptured sewerage system throughout the city. Essential services of water and power are being provided at reduced levels. The situation in other areas in the Department is more serious. Officials expressed growing concern about conditions in the many small towns South of Piura which were badly flooded when river defenses broke. Access to area is limited, but reports of medical problems—broncho-pulmonary infections, ~~stomach~~ diarrhea and skin diseases are increasing.

7. Housing—Local officials estimate some 10,000 houses lost or seriously damaged in the Department as a whole. Team believes figure is reasonable estimate based on our observation. However, isolation of communities South of Piura and in the Sierra ^{makes} ~~makes~~ accurate assessment difficult. Temporary shelters from local materials and several thousand steel roofing sheets delivered to the area seem to have ^{alleviated} ~~accommodated~~ the current emergency needs.

8. Food—Uncoordinated would characterize the distribution of food in the Piura area. CARITAS and the Red Cross are the most effective with the Civil Defense and ONA making feeble efforts. Food is in very short supply due to the difficulty or impossibility of transporting food stuffs from the major food sources in the south. What little fresh food there is

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has become very expensive and beyond the reach of most flood victims. This area is heavily dependent on agriculture which has effectively been wiped out by the flood leaving a large number of flood victims with a little or no money to buy scarce food.

As a result of these problems external food assistance will be needed for the next 3-6 months. There is some government and international food assistance reaching Piura, but on a very limited scale. USAID ~~may~~ ^{will} have to provide additional food assistance. Local estimates indicate that 100,000 people may require such supplemental food.

9. Tumbes - Essential services are being maintained in Tumbes. While the Department with a population of 104,000 has been cut off from Piura and Lima by road, the bridge into Ecuador at Aguas Verdes is still ~~passable~~ and essential food and fuel supplies can be acquired. Sufficient machinery has been delivered to keep the road from Tumbes to the coast open. The ~~Highway~~ ^{Development} Corporation President was confident that after the rains stop they could open the Pan American highway to Talara within 15 days for transport of critical supplies and reconstruction materials. The recently constructed potable water plant in Tumbes has been shut down to avoid further damage, but the old plant functions. Output has been reduced and a schedule of distribution established through

the system. Water is being trucked to some areas that are beyond breaks in the distribution system.. Other than severe problems in outlying communities the Tumbez area would appear to be getting adequate food supplies from local and Ecuadorean sources.

Conclusions:

10. The limited access to the area and consequent shortages of food and supplies, expanding number of people seriously affected by the flooding, and indications of deteriorating health status call for an expanded U.S. response to the disaster in Piura. The most immediate needs are for emergency food and medicines in the Piura area while mounting a comprehensive disaster assessment of the department with particular attention to health complications of what has now been three months stress on the population due to rains and flooding. Some mobile (helicopter) health units may prove necessary. About 15 3000 gallon plastic water tanks will be required for the area, primarily to conserve fuel in tank trucks that are now delivering water to population beyond the reach of potable water systems.

10. Support for disaster assessment team and mobile health units may require U.S. military air assets to supplement GOF capability which is already fully employed in disaster relief efforts over large section of the country.

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TELEGRAM

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FROM AMEMBASSY LIMA	CLASSIFICATION UNCLASSIFIED
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12356
E.O. 12958-2
TAGS:
SUBJECT:
ACTION:

N/A
Disaster Sitrep #4 - Chimbote
SecState WASHDC IMMEDIATE
INFO: Amembassy QUITO
UNCLAS LIMA 3550

DIST:
AME
DCY
AID
CHRON

AIDAC
FOF OFDA, AID/W

Summary:

1. Mission team traveled to Chimbote April 16 and 17. Dispersion is the single word that best describes the pattern of damage which has occurred. There is no single place in the region where catastrophically large numbers of persons have lost their homes, possessions, or businesses. This pattern of dispersion occurs not only in the rural areas but also within Chimbote and the other coastal towns. For example, there are six to eight different affected areas within Chimbote (each with one to four hundred displaced families and each ~~separate, unconnected situation~~ several kilometers from the other). Something similar to the current emergency situation has been going on for the last four months. This dis-

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1' persion of damage has made relief more difficult and postponed rehabilitation. Providing assistance has been nearly impossible in the campo. There has been a steady drain of relief food supplies and roofing materials needed for shelter. Because the damage has occurred over several months, it has been hard to quantify supplies needed. Each time there has been respite from the mudslides and flooding, it was thought that the rains and emergency situation had finally ended.

Much more damage and suffering have occurred in the rural areas than in Chimbote and the coastal towns. The cause of the mudslides and floods on the coast has been heavy rains in the mountains. There have been only a few heavy rains on the coast, and these are not the primary cause of the damage. End Summary.

Shelte :

2. In Chimbote, three to five thousand persons or six or seven pueblos jóvenes (600 to 1,000 families) have abandoned their homes due to partial or total destruction. Most of these homes were adobe and cestera though some brick houses have also been destroyed. In Casma, approximately 800 to 1,000 persons are homeless. Dramatic losses are reported to have occurred in mountainous rural areas where 120 small villages have been totally or partially destroyed. Best estimates are that some 39,000 persons in rural areas are without shelter. Food and roofing materials (calamitas) are the most urgently needed items

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to assist the homeless. Approximately 100 tons of food and 30 tons of roofing have already been distributed by Civil Defense and relief agencies.

Potable Water:

3. Potable water is available on the coast but there may be a need for potable water in the foothills and mountains. In Chimbote, potable water may become a problem if the main canal from the Rio Santa remains blocked ~~for~~ (see discussion below) for an extended period. Residents of the San Juan pueblo joven in Chimbote reported that they were not receiving potable water (usually delivered by truck). In the Villa Maria pueblo joven in Chimbote, residents claimed that local authorities were going to cut off their water due to shortages.

Medical Services:

4. The residents of the pueblos juvenes in Chimbote reported some illness and a few deaths among their children. There will probably be a need for antibiotics and vaccines. The Ministry of Health and ^{possibly} ~~perhaps~~ Caritas will shortly have more definite information on the need for medicines. The Ministry of Health reported that it has vaccinated 8,000 persons against typhoid and has fumigated 1,500 houses. None of the persons in the pueblos juvenes reported having received either vaccinations or fumigations.

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GSA GEN. REG. NO. 27

Crops:

5. There has been widespread damage to crops. Its extent has not been determined because most roads into the foothills and mountains have been cut. Estimates of crop destruction run as high as 70% for the entire region. The main irrigation canal which brings water from the Rio Santa to the Chimbote area is filled with rocks and mud for 22 kilometers. Also most other irrigation canals are damaged from the floods and mudslides.

Roads and Highways:

6. Beginning at kilometer 249 north of Lima through Chimbote, there are eight places (kilometers 249, 264, 309, 329, Casma, 380, Rio Lacramarca in Chimbote, and near Sider Ferro in Chimbote) where mud and water have covered the Panamerican Highway and washed away portions of it. At each place on the Panamerican Highway, either Corde Ancash or the National Highway Service (SNC) had men and equipment working to repair the damage. The segments destroyed total approximately 2 to 3 kilometers. In Chimbote, Corde Ancash has cleared two kilometers of the Panamerican highway of mud and built a 15 meter concrete temporary bridge to allow traffic to pass one car at a time. Pardo Avenue which is Chimbote's main other main passage over the Lacramarca River has been cut in two places, each about 40 to 50 meters. Traffic cannot cross the Lacramarca or Pardo Avenue. As noted above, every road leading east into the mountains from Chimbote,

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Casma, and other coastal towns has been interdicted by mudslides. Thus the entire rural area is without access to the coast.

Industry:

7. The two major industries in Chimbote are steel and fishing. Flooding and mudslides damaged the Sider Peru steel plant and the Pesca Peru processing plant. Both have been closed for several days. Sider Peru managers report that they can begin operations again in thirty days. It will take approximately 50 days for the Pesca Peru plant to reopen. Fortunately the fishing fleet can still operate because other plants along the coast can process its catch.

Public Services:

8. Thursday mudslides knocked down three high tension towers. ElectroPeru had yet to repair them by Sunday. Apparently some makeshift towers were put in place, but they too fell. At night, parts of Chimbote are blacked out to reduce demand on the system. Most of the city, however, still has electric service. Ministry of Education officials reported that floods and mudslides had damaged 30 schools in and near Chimbote. There is an urgent need for reconstruction of 16 classrooms. School has been suspended and will resume on April 25. In Casma the schools are closed until May. Both the Social Security hospital and the Ministry of Health's regional hospital in Chimbote were open and

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FORM 10-61
JANUARY 1975
DEPT. OF STATE

functioning. The regional hospital had suffered heavy damages due to a leaking roof.

Conclusions:

Caritas is the strongest agency providing relief services in the region. AID will provide Caritas with Title II funds and ~~financial support~~ to assist in their relief efforts. AID will continue Title II support for CARE which will be sending 16 tons of food to Chambote by truck this week. CARE, however, does not have a resident representative in Chambote. AID with respect to medicines, AID ~~is~~ ^{is} prepared to respond to needs in the rural areas. Chambote may also have need for one or two 3,000 gallon ~~in~~ plastic water containers to provide potable water in the pueblos jóvenes. At this time water purification equipment is not needed though potable water may become a problem. An assessment, utilizing helicopter, of the situation in the rural areas will be conducted so that better estimates of the need for food, shelter, and medicines as well as damage to roads and other infrastructure can be made. After this assessment, then a strategy for assistance to the rural areas can be devised.

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3. Chiclayo assessment: Panamerican highway is now open as far north as Chiclayo over frequent road cuts. The city of Chiclayo, itself, is relatively undamaged as it is somewhat higher than the surrounding flat countryside. Normal municipal services of ~~xxx~~ power, water, sewerage are operating. There has been some damage to major regional hospital, Las Mercedes, due to weight of heavy rains on flat roof. No major rivers flow near Chiclayo. All roads from the coastal plain into the Sierra are blocked by landslides, once again limiting on site observation to coastal area.

4. The lower areas around Chiclayo, however, have been seriously affected by flooding. An estimated 26,000 persons have been displaced, with 16,000 of these homeless. Several coastal towns were inundated by up to 6 feet of water that is only now receding. The town of Tucumé - population 6000, on the old panamerican highway has evacuated or lost three quarters of the buildings in town. People are living in tents or other temporary shelter and food is being ferried in by helicopter. Town of Mórrope on the new panamerican highway is in much the same condition with over one half ~~structures~~ the structures lost and flood waters still high. Nearby road access permits more expeditious relief.

5. Agriculture: Of 34,000 hectares of irrigated agricultural land flooded, 15,000 hectares of crops are estimated to have

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Page 3 of 4 4085

been lost. Irrigation ditches are silted, full evaluation of reconstruction repair ^{costs} will take lower water levels and more time.

6. Health: Three medical posts have been destroyed and 15 have been damaged in towns around Chiclayo. The relatively undamaged health facilities in the city of Chiclayo seem to be coping with health problems.

7. Education: Schools have been closed until at ~~least~~ least May 2 in the Department. Some 62 schools are reported to have suffered damage with a total of 149 classrooms destroyed.

8. Road and RR Bridges: Damage to road and bridge infrastructure has been severe including a total of 6 kilometers of the Panamerican highway that has had surface washed away and perhaps half that with extensive damage to the road base as well. A total of 7 major bridges - 50 meters or more - have been lost. In Eten a village on the Regue river a 100 meter single lane bridge built in 1928 has been washed away. The bridge is not ^{on} the Panamerican highway.

9. Potable Water: A few villages have had potable water systems damaged or contaminated by the floods. The Departmental Development Corporation has requested several AID water tanks. AID is arranging transport of tanks.

10. Food: Isolated towns outside of Chiclayo are being supplied by military helicopter. Supplies were exhausted on Thursday April 21, but a CALITAS shipment of 80 tons from

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Trujillo will arrive Friday. Sixty tons will be turned over to Red Cross for continued supply of outlying areas by air which is estimated to be sufficient for up to sixty days in towns now being ~~xxxx~~ served.

11. Conclusion: Coordination between local authorities, Red Cross, PVOs and military seems to be strong in Chiclayo. Emergency relief efforts are well organized from the base of a relatively unaffected city. The major reconstruction tasks will be centered on repair of extensive road and bridge damage and rehabilitation of agriculture. While information from the Sierra is still limited, the AID emergency response will be limited to water tanks and the CARITAS food at this time.

12. For OFDA: Appreciate your efforts to ship water tanks quickly.

13. For LAC/SA: Please contact Raul Padron in IIE and share AID Sitreps to date with him. As he prepares IDE reconstruction program proposal please keep him informed of AID actions as reported. We are in parallel contact with IDE office here.

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TELEGRAM

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	FROM AMEMBASSY LIMA	CLASSIFICATION UNCLASSIFIED	
12356	N/A		
E.O. 12052:			
TAGS:			
SUBJECT:	Disaster Sitrep # 6 - Trujillo		
ACTION:	SecState WASHDC <u>IMMEDIATE</u>		
	INFO: Amembassy QUITO		
	<u>UNCLAS LIMA 4-23</u>		
	FOR OFDA, AID/W		
	<p>1. Summary. On April 22, Mission representative traveled by car from Chiclayo to Trujillo, capital of the Department of La Libertad. Unusually heavy rains mostly in the sierra have caused mudslides in the foothills and mountains and flooding on the coast. The primary areas which have suffered damages are the valleys of the following rivers: Virú, Moche, Chicama, Jequetepeque, and Charán. These rain swollen rivers have spilled over their banks damaging roads, irrigation systems, crops, and houses in rural areas. Fortunately, the city of Trujillo only suffered very light damage. The heavy rains began in January and have continued sporadically into April. End Summary.</p>		
AMB DCM RLA USAID	<p>2. The streets of Trujillo (pop. approximately 350,000) were flooded/overflows from the Moche river during Easter</p>		

DRAFTED BY: - SRLA:TL/Geiger pdc *Geiger* DRAFTING DATE: 4/25/83 TEL EXT: 444 CONTENTS AND CLASSIFICATION APPROVED BY: D:JSant *JSant*

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DD:GHill: *GHill*

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persons will be around 10,000 to 15,000 persons (or 2,000 to 3,000 families). Again Caritas and Civil Defense are trying to obtain more accurate information. In the week from April 13 to 21, the National Food Office (ONAA) in conjunction with Civil Defense has distributed approximately 9.5 metric tons of food to flood victims mostly in rural areas. Though there are more than 1100 tons of food in the ONAA warehouse in the port of Trujillo (Salaverry), this food is scheduled for shipment north to Piura and Chiclayo, and hence there may be a need for additional food for the Department of La Libertad depending on the number of flood victims who will need continuing assistance. The president of the Civil Defense committee noted that supplies of cooking oil, powdered milk and oats were short or exhausted. Caritas cited the need for roofing materials and medicines (oral rehydration, antibiotics and vaccines), but until more accurate estimates of the number of victims can be made, the Mission cannot assess the extent of these needs.

4. There is considerable information with respect to the damage to infrastructure in the Department. On the Panamerican highway approximately 30 kilometers have been partially or totally destroyed. North of Trujillo it is passable in several places only in four wheel drive vehicles or large trucks and buses (especially around K 649 at the Cerro Chalco and the Chanan river). Including the Panamerican highway and damage

to other roads in the Department, the local Development Corporación (CORDE LA LIBERTAD) estimates that 1055 kilometers have been "affected" by the rains and floods. Cost estimates to repair this damage total approximately US\$3.5 million.

5. The Ministry of Agriculture estimates that approximately 6726 hectares of crops have been lost. The primary losses were in sugar cane (3005 hectares) and corn (1412 hectares). The Moche and Chicama valleys suffered the heaviest losses. These figures may rise considerably as more information concerning the extent of damage to crops in the sierra becomes available. The extensive irrigation systems in the Department have suffered serious damage as well. Initial estimates for the Moche and Chicama valleys are US\$124,000 and US\$461,000 respectively. Further information with respect to ^{irrigation} ~~other~~ systems in valleys in the Department will ~~improbably~~ be available shortly.

6. The Ministry of Health estimates that the costs of repairing damage to health and sanitary posts and to potable water systems in coastal rural areas will total around US\$37,000. Again complete information from the sierra is not available.

7. Schools are open and functioning normally on the coast, and classes in the sierra are scheduled to begin again in May. Reports indicate moderate damage (around US\$304,000) to

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FROM AMEMBASSY LIMA	CLASSIFICATION UNCLASSIFIED	10
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12356
E.O. 11652

N/A

TAGS:
SUBJECT:

Flood Disaster Sitrep # 7 - Lambayeque Update

ACTION:

SecState WASHDC IMMEDIATE

INFO: Amembassy QUITO

UNCLAS LIMA 4205

AIDAC

FOR: OFDA, AID/W

Ref: Lima 4089

1. This cable supplements information contained in ref cable on the Department of Lambayeque. The Departmental Development Corporation (CORDELAM) has gathered detailed information concerning the effects of the heavy rains and flooding, including ~~xxxxxxx~~ estimated costs of repairing and replacing damaged infrastructure. CORDELAM estimates that agricultural losses in the Department total US\$8.8 million. The bulk of the losses were in rice and other staple crops. In the housing sector, CORDELAM has determined that 4,700 homes were destroyed, and the replacement cost will be US\$11 million. Of the 4,700 homes lost, ~~xxxxxxx~~ roughly 2,500 were in two towns-

APPROVED BY SFLA: TLGeiger: pdc <i>[Signature]</i>	DRAFTING DATE 4/26/83	TEL EXT 444	CONTENTS AND CLASSIFICATION APPROVED BY D:JSanbrailc <i>[Signature]</i>
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DD:GHill: *[Signature]*
Eugenio file

UNCLASSIFIED
CLASSIFICATION

OPTIONAL FORM 100
(FORMERLY 75-413)
JANUARY 1975
Dept. of State

100

Morropo and Tucume. The cost of repairing roads and highways will be approximately US\$3.2 million. This estimate includes the cost of replacing the following bridges: Insculos (48 meters); Cascjal (97 m.); Motupe (74 m.); Jayanca (24 m.); Eten (85 m.); Anchovira (19 m.); and Pavo (13 m.). Medical posts have suffered damages totalling about US\$77,000; and the cost of reconstructing and repairing schools is about US\$1.1 million. According to CORDELAM total losses in agriculture, housing, transportation, health and education in Lambayeque amount to approximately US\$24.2 million. CORDELAM prepared these estimates as of April 14. Though the Mission has not verified ~~xxx~~ all the reported damage or analyzed CORDELAM's cost calculations, the estimates of damage to infrastructure have been found accurate to the limited extent verified.

2. The president of the Civil Defense Committee, Dr. Julio Armas (Prefect), reported that the Committee has no more food for distribution to flood victims. The president has appointed a special subcommittee made up of representatives from Caritas, Prefecture, Red Cross, and the Seventh Division of the Peruvian Army. This subcommittee will coordinate all food distribution to avoid duplication of rations. More food is definitely needed, particularly in places like Tucume and Tupac Amaru of Lagunas where destruction was nearly complete. Caritas as of April 21 had 23 metric tons (mt) in stock but

these foods were needed for its regular program. As reported previously Caritas in Trujillo will be sending 80 mt tons by truck to Chiclayo as soon as road conditions permit (road is now passable by truck). Of the 80 mt, Caritas plans to use 20 mt for its regular program and to give 60 mt to the Civil Defense committee for distribution to flood victims.

3. In the rural flood zones and the pueblos jovenes of Chiclayo there are large amounts of standing water. The stagnant water has caused an increase in mosquitos. The Ministry of Health has equipment for fumigation but does not have insecticides in the area. PAHO is advising MOH on this issue in Lima. Local Ministry officials have undertaken a campaign to vaccinate residents of flooded areas against typhoid. A team has been working in Zaña for several days. The Bishop of Chiclayo also donated 5 million soles to be used to buy ~~medicines~~ medicines for flood victims. CORDELAM has been attempting to supply potable water to Eten and other villages ~~with~~ that now have only contaminated drinking water. To assist CORDELAM in this effort the Mission will provide four 3,000 gallon plastic water tanks to CORDELAM. These will be delivered today or tomorrow.

ORTIZ 

TELEGRAM

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 CHARGE TO USAID

4398

FROM AMEMBASSY LIMA	CLASSIFICATION UNCLASSIFIED
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12356
E.O. 12812
TAGS:
SUBJECT:
ACTION:
DIST.:
AMB
DCM
AID
CHRON

N/A
Piura Disaster Sitrep #8 - Health Conditions
SecState WASHDC IMMEDIATE
INFO: Amembassy QUITO
UNCLAS LIMA 4398
AIDAC
FOR OFDA, AID/W

RECEIVED
USAID
HALL ROOM
MAR 31 1983
AM 8 37

- SUMMARY: FAHO's disaster specialist Miguel Gueri and Chief MOH epidemiologist Dr. Rodolfo Soto concluded 5 day survey in Piura. They found a generally manageable health situation in the emergency area, but at least doubled levels of morbidity and mortality over prior years. The major health problems involve respiratory infections and increased incidence of gastro intestinal disease. Serious problems in delivering appropriate medicines to outlying areas complicate the provision of adequate health care. ~~End~~ Summary.
- OH/MOH medical survey team reviewed hospital and health records and visited isolated rural areas by helicopter. They noted doubled rates of morbidity/mortality and

DRAFTED BY - DO:GALLI:ld	DRAFTING DATE 4/29	TEL EXT 442	CONTENTS AND CLASSIFICATION APPROVED BY D. JASANYITTO
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- H&N:JLA RCB

Info RIA
ENCR: *files*

UNCLASSIFIED
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substantial increase in respiratory and gastro-intestinal disease. Less serious outbreaks of a variety of skin diseases are accompanying the flood conditions. The team believes that the current system of MOH hospitals, health posts and PVO and other private practitioners provide adequate staff to cope with the emergency.

3. The ~~major~~ major medical care problem relates to the isolation of towns and villages in the Department of Piura. Not only is there no effective medical referral program, but the resupply of rural health facilities with essential basic medicines, such as antibiotics and oral rehydration salt is impossible by road and difficult by air given variable flying weather in Sierra foothills and competing claims on scarce helicopters.

4. Medical group also noted lack of water quality testing equipment in Piura Department to guide emergency repair of potable water distribution systems. Team noted that breakage and ~~cross~~ cross contamination of potable water and sewerage systems in Piura and Sullana and contamination of wells in rural areas was extensive.

5. PAHO/MOH have developed a recommended list of basic medicines required to resupply ten isolated health posts and MOH has asked USAID to assist with reprogramming of health project 0219 to purchase these critical items. On site

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OPTIONAL FORM 103A
(Formerly PB-613A)
January 1978
Dept of State

Disaster specialist, Gersony is arranging special efforts through local emergency committee and Peruvian Air Force to fly prepackaged medicines to the identified areas of need.

6. PAHO has agreed with MOH to reprogram several of its current activities to provide disaster support to the area. This will include technical assistance to oversee the use of four water quality testing kits (Millipore) which the MOH ~~has~~ has asked AID to finance.

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TELEGRAM

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FROM AMEMBASSY LIMA	CLASSIFICATION UNCLASSIFIED
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12356
E.O. 12958:
TAGS:
SUBJECT:

N/A
Peru Disaster Roundup Cable No. One: Background

ACTION:

SECSTATE WASHDC IMMEDIATE

INFO: AMEMBASSY QUITO -
AMEMBASSY LA PAZ -

UNCLAS LIMA

4464

Dist:

AIDAC

AME
DCM
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USAID
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ECON
MAAG
DAO
USIS

1. This is the first of five cables summarizing our present knowledge of the disaster situation, covering the following topics: (A) Background; (B) Damage Estimates; (C) Actions to Date; (D) Assistance Needs; and (E) Future USG Role.

~~Take note of the presence of the disaster situation and the scope of the situation.~~

It should be emphasized that what follows is essentially a look at one frame in a movie that is still running. All estimates are tentative and based on extrapolations of what is known in only some ~~regions~~ of the affected areas.

2. Introduction

A. There are at least three disasters unfolding in Peru.

The most obvious is the abrupt weather change which has brought:

DRAFTED BY PROG:RJMaushammer;vs	DRAFTING DATE 4/28/83	TEL EXT 468	CONTENT AND CLASSIFICATION APPROVED BY D:JSBbrailo
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CLEARANCES

DD:GHill: in draft

DCM:GLamberty: 1

INFO:ENGRI:ELarc6n/ub

~~DD:GK.../...~~

POL: in draft

AGATT"NFrancis (draft)

ECON: in draft

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(1) Dramatically decreased fish catches as fish ~~have~~ moved further from the Peruvian coast, away from the high water temperatures in the "El Niño" current; (2) on the north coast, torrential rains, flooding, landslides and attendant crop losses and physical infrastructure damage estimated at from \$250 million to \$350 million so far; (3) heavy rains in some areas of the sierra (accompanied in different places by hurricane-force ~~hurricane-force~~ winds or hail) which ~~have~~ led to crop losses, landslides and infrastructure damage; and (4) extreme drought in some areas of the southern sierra and coast, resulting in heavy crop losses and decreases in livestock herds. Total losses, according to estimates made in mid-April, are variously given in the range from \$400 million to \$500 million.

The number of people directly affected by these natural disasters is estimated roughly at 1,200,000, including: 160,000 whose homes have been destroyed or damaged; 550,000 whose agricultural production has been seriously affected by drought, flooding or landslides; and 490,000 affected by other serious aspects of the disaster--those cut off from markets and services by landslides, industrial workers in damaged ~~factories~~ plants, etc. Excluded are the hundreds of thousands who have been affected more passively; such as by standing water, disturbed potable water service, and interrupted electricity ~~and sewage service.~~ ~~and sewage service.~~ Most certainly excluded are the millions of poor Peruvians whose budgets will suffer

tremendously from higher prices on staple foods. It is virtually all safe to say that, overall, ~~some~~ of Peru's population will be materially affected by these disasters and by disaster-induced inflation.

E. The second ~~disaster~~ ^{is} the terrorism being promoted principally by Sendero Luminoso in ~~the~~ Ayacucho Department, ~~located~~

~~in the southern part of the country~~ Over the past 16 months, ~~the~~ terrorism has led to the death of ~~some~~ hundreds of ~~some~~ Peruvians and to ~~the~~ destruction of infrastructure and

public buildings, ~~throughout~~ (population 503,000). Throughout Ayacucho, terrorism ~~has~~ reduced agricultural production, ~~and~~ interrupted marketing channels and disrupted the local economy, ~~and~~

~~the~~ Scarcely any ~~of~~ Scarcely any

budgetary resources ~~have~~ had to be diverted to reconstruction and civic action programs in Ayacucho, ~~and~~ the GOP's anti-terrorist drive is occupying limited civilian and military personnel and financial resources that otherwise would have been available to assist in relief and rehabilitation

operations in northern flood areas and in the southern drought Departments. ~~(See LIMA 4242)~~ (See LIMA 4242).

C. The third disaster is financing, both the domestic public sector budget and international credits (see LIMA 3966 for further details). On the domestic side, the already-tight budget passed by Congress in December ~~was~~ ^{was} cut even further

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to limit investment to 6.3 percent of GDP and the deficit to 3.8 percent of GDP. (Last year, the comparable figures were 10.1 percent and 8.8 percent, respectively). Significant austerity measures have been decreed, including both expenditure limitations and the compulsory purchase of bonds for reconstruction revenue enhancement. ~~XXXXXXXXXX~~
(See LIMA 4289).
~~XXXXXXXXXX~~

On the foreign side, tremendous problems in locating necessary external credit for Peru, following the Mexican and Brazilian debt crises, have forced Peru to devise a financing plan involving short and medium term credit ~~XXXXXXXXXX~~ rollovers, payments ~~XXXXXXXXXX~~ delays, and new debt involving total financing of over \$- billion. Compounding the credit picture are the continuing low prices being obtained for Peruvian exports, inflation predicted to be much higher than last year's 73 percent, weak revenue performance due to low foreign trade and low corporate profits, bank failures amid a monetary policy that has limited ~~XXXXXXXXXX~~ liquidity growth, and continuing high levels of unemployment and underemployment. The financial situation --compounded by bad weather and terrorism--is so bad that the Minister of Finance has to be right when he says that 1983 is the worst year in the century for Peru. ~~XXXXXXXXXX~~
(See LIMA 3986).

3. Weather changes ~~XX~~ started last October within the shift of almost unprecedented magnitude in the "El Niño" current. This was followed, starting in December, by heavy rains--first in

1 Piura and Tumbes departments, then in adjacent departments. The same rains also affected Ecuador. Heavy rains and landslides struck the central highlands, closing major railroads, highways and secondary roads. Drought then worsened in the southern departments, especially the highland department of Puno. The following presents actual versus 30-year average rainfall (in millimeters) at selected stations:

		ACTUAL	AVERAGE
A. Tumbes	DEC	30.0	0
	JAN	378.0	28.5
	FEB	493.0	34.4

		MAR	207.0	57.0
		APR 1-25	360.0	42.2
E.	TALARA (N. Coast)	DEC	3.0	0.0
		JAN	162.2	0.1
		FEB	153.0	0.5
		MAR	162.0	5.5
		APR 1-25	257.0	0.4
C.	PIURA (N. Coast)	DEC	13.4	0.5
		JAN	259.9	5.6
		FEB	209.0	6.2
		MAR	329.0	17.0
		APR 1-25	371.0	4.3
D.	CHICLAYO (N. Coast)	DEC	2.1	0.6
		JAN	56.0	7.3
		FEB	2.0	2.5
		MAR	57.0	10.7
		APR 1-25	46.0	2.5
E.	CAJAMARCA (N. Sierra)	DEC	57.0	66.6
		JAN	118.0	87.8
		FEB	74.0	105.0
		MAR	105.0	110.0
		APR 1-25	109.0	84.0
F.	AYACUCHO (S. Sierra)	DEC	20.0	65.8
		JAN	131.0	112.9

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	FEB	194.0	102.0
	MAR	155.0	93.6
	APR 1-25	18.0	51.2
G. CUZCO	DEC	6.0	126.1
(S. SIERRA)	JAN	100.0	152.5
	FEB	42.0	140.0
	MAR	23.3	101.4
	APR 1-25	4.0	57.0
H. JULIACA/PUNC	DEC	20.0	90.1
(S. SIERRA)	JAN	49.0	123.9
	FEB	100.0	105.0
	MAR	30.0	99.0
	APR 1-25	38.0	31.9

The heavy rains in the north caused extensive flooding as rivers were not able to handle the increased flow. The Piura River, for example, usually has a maximum flow of 330 cubic meters per second in the summer; this year, it has recorded a maximum flow of 2,900 cubic meters per second.

4. Because the natural disasters are so distinct, are so widespread and are unfolding only slowly, the urgency and seriousness of the situation have been difficult to appreciate. The combination of natural disasters, financial crises and terrorism to ironically seem to be combining/undermine Peru's fragile new democratic institutions.

~~OPTIONAL~~

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 CHARGE TO USAID

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	FROM AMEMBASSY LIMA	CLASSIFICATION UNCLASSIFIED																										
12356	N/A																											
E.O. 11652	Peru Disaster Roundup Cable No. Two: Damage Estimates																											
TAGS:	SECSTATE WASHDC IMMEDIATE -																											
SUBJECT:	INFO: AMEMBASSY QUITO - AMEMBASSY LA PAZ -																											
ACTION:	UNCLAS LIMA 4465																											
Dist.:	AIDAC																											
AME	1. Losses in Agricultural Production.																											
DCM	A. According to IDE estimates, agricultural/livestock																											
POL	operations have lost \$161 million worth of production--over																											
DAO	one and a quarter million tons of produce--as a result of																											
ECON	flooding and drought. Agriculture accounts for \$149 million,																											
MAAG	whereas livestock was less seriously affected at \$12 million.																											
USAIL	Estimated Agricultural losses by principal crop:																											
USIS	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Product</th> <th style="width: 15%;">Loss (000 MT)</th> <th style="width: 15%;">Loss (\$ Millions)</th> <th style="width: 15%;">%</th> <th style="width: 25%;">of Crop Nationwide</th> </tr> </thead> <tbody> <tr> <td>Potatoes</td> <td>364</td> <td>58</td> <td></td> <td>21</td> </tr> <tr> <td>Rice (Paichy)</td> <td>112</td> <td>25</td> <td></td> <td>15</td> </tr> <tr> <td>Sugar Cane</td> <td>406</td> <td>9</td> <td></td> <td>6</td> </tr> <tr> <td>Cotton</td> <td>58</td> <td>16</td> <td></td> <td>23</td> </tr> </tbody> </table>			Product	Loss (000 MT)	Loss (\$ Millions)	%	of Crop Nationwide	Potatoes	364	58		21	Rice (Paichy)	112	25		15	Sugar Cane	406	9		6	Cotton	58	16		23
Product	Loss (000 MT)	Loss (\$ Millions)	%	of Crop Nationwide																								
Potatoes	364	58		21																								
Rice (Paichy)	112	25		15																								
Sugar Cane	406	9		6																								
Cotton	58	16		23																								

DRAFTED BY ROG:RJMaushammer:vs	DRAFTING DATE 4/29/83	TEL EXT 468	CONTENTS AND CLASSIFICATION APPROVED BY D:JSanbrailo:
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DD:GHill: (draft) POL:DCiare: in draft DCM:GLamberty: _____
 INFO: ENGRI:IALarcon: _____ ECON:GJones: in draft
 AGATT:NFrancis: draft

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HardCorn	195	5	50
Quinoa	9	2	62
Sorghum	17	2	45
Fruit	140	13	N/A
Others	N/A	19	N/A
Total (at least)	1,263	149	8 to 10

The IDB estimates that 50 percent of the people working in agriculture in Piura and Tumbes were affected. IDB also estimates that 60 percent of agricultural production in Puno was lost.

Comment: (A) The potato and quinoa losses, due to drought, will seriously affect the sierra rural poor first and foremost as these crops form a large percentage of their diet. We understand the Ministry of Agriculture is already buying up ^{potatoes} ~~potatoes~~ locally ^{will} ~~will~~ potatoes for seed and ~~importing~~ ^{importing} for food from Belgium and Holland.

Production in several areas will not even cover planting needs, and people are being forced to eat ~~at~~ what little production they have. The potato loss will not be recoverable as plantings are possible only once a year in the traditional growing zones.

(B) The rice loss, which will affect the urban poor particularly (especially but not exclusively on the coast) and indeed the middle and upper classes as well, might be mitigated on the coast by replanting if the rains stop soon and irrigation works are repaired promptly. However, a major portion of the rice ^{north} ~~stocks~~ ^{has} in/coast ~~in~~ millers' warehouses ~~have~~ reportedly been

(1) Flood	Losses in \$ Millions		Total
	Agriculture	Livestock	
FIORA	17.5	-	17.5
LA LIBERTAD	10.7	-	10.7
LAMBAYEQUE	7.6	-	7.6
ANCASH	5.5	-	5.5
TUMES	2.5	-	2.5
LIMA	0.2	-	0.2
SUB-TOTAL	44.2	-	44.2

(2) DROUGHT	Agriculture	Livestock	Total
AREQUIPA	45.0	5.3	50.3
PUNO	40.6	2.9	43.5
CUZCO	15.1	8.1	23.2
APURIMAC	10.0	4.4	14.4
HUANCAVELICA	6.7	-	6.7
AYACUCHO	2.7	-	2.7
SUB-TOTAL	129.1	20.7	149.8
TOTAL	167.3	20.7	188.0

Comment: (1) The INF estimates are significantly higher than IIE's estimates. The loss in Arequipa is particularly suspect as it comes to almost \$1,000 per person economically active in agriculture. Most of the rest are in the range of \$100 to \$200 per person. Cutting the Arequipa loss estimate in half would make the IIE and INF estimates come out quite close.

losses

(E) Total Funt agricultural and livestock had been estimated earlier at \$75 million. Septel follows on Funt.

(C) Less important to us than judging ~~about how large~~ the absolute amount of loss are the remaining facts that losses have been severe over a wide-spread area, that recuperation possibilities are most limited among those with the lowest incomes, and that the inevitable rise in food prices will ^{seriously} affect most the normal diets of the lowest income groups.

2. Infrastructure Losses.

A. Transportation

The IDB estimates the cost of rehabilitating roads at \$103 million, including \$27 million that can be done without major studies as soon as the rains appear to have stopped and \$76 million that have to await such studies and that therefore will be undertaken next year at the earliest.

One third of the PanAmerican highway from Piura to the Ecuadorean border (306 km) is affected (101 km). In total, 66 km of graded terraplains have been destroyed, as have 121 km of shoulders and pavement, 9 bridges and 75 culverts. The cost of repairing this section of the highway, including new alignments and other necessary improvements, is \$45 million.

In other areas, covering about 300 km, \$58 million in repair and rehabilitation is needed. In addition, an ~~estimated~~ ^{estimated}

\$5 million is required to reconstruct 13 km of Central

railway's roadbed and rehabilitate a further 60 km of

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its
 This is much more serious than ~~road-side~~ normal annual landslide damage.
~~ax~~ roadbed and structures. Another \$5 million is needed to

repair airports and put in better drainage systems for them.
 The airports at Piura and Talara suffered most of this damage.

Comment: ~~ix~~ It would be logical to upgrade certain road segments at the same time as rehabilitation occurs. This will undoubtedly be done where financing is already available (such as the World Bank's Eighth Highway Loan). INF reps said that immediate road work financed by IDE will be awarded on the basis of cost competition only (concurso de precios) from among firms already working on other projects. End

Comment.

B. Housing and Urban Services.

The IEB estimates \$72 million is needed to repair or replace housing losses and another \$10 million for potable water and sewerage system repairs. The INF estimates that 8,500 homes have been destroyed and 24,500 more homes were damaged. Piura and Tumbes departments ~~xxx~~ account for two-thirds of the destroyed homes and 40 percent of the damaged homes.

Comment: Our own eyeballing of the situation leads us to increase the figures on destroyed housing to 12,500, ~~xxx~~ with perhaps 6,000 homes destroyed or damaged beyond repair in the department of Piura (rather than 4,600) and 4,700 in Lambayeque. However, we would point out that we cannot yet reject stories of extensive housing damage in isolated rural areas. Housing damage numbers

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could rise substantially if early reports on rural damage are anywhere near correct. Early reports on Lambayeque seriously underestimated housing losses. Many of these houses however are of unsubstantial materials and relatively easily rebuilt. / End Comment.

Three-fourths of the water and sewerage system damages are estimated to have occurred in the ~~department~~ department of Piura, including about 45 percent directly affecting Talara (transmission pipe from Paite and distribution within Talara). In the IDB estimates, such losses affected 44 communities and will cost \$10.4 million to repair (\$6.4 million for urban water systems and \$4.0 million for urban sanitary sewers). In addition, electricity distribution facilities, streets, health posts, schools, markets, and other public buildings have been damaged, primarily in Piura and Tumbes departments. INF estimates these will cost around \$21.5 million to repair/rehabilitate. This is broken down as follows:

		(\$ Millions)
Urban Streets (60 km), Markets (6), other buildings		5.5
Schools (Structures)	734	2.9
(Equipment)	540	0.6
Health Centers	74	0.5
Rural water systems	41	0.3
Electrical System (Tumbes) 90 km (incl. upgrading)		2.8
(Piura) 306 km (incl. upgrading)		6.9
TOTAL		\$21.5

Comment: Relatively few applications for assistance in
reconstructing or repairing houses have been received/by
the Materials Bank and Mutual Piura. New applications
are running at only about ~~twice~~ four times ~~of~~ the
pre-disaster levels. People may be waiting until the end of the rains to
begin house rehabilitation or reconstruction. Rural roads,
irrigation works and rural housing are the areas that most
urgently need appraisal/verification. End Comment.

C. Agricultural Infrastructure.

The major problem here is that wide areas are still cut
off from assessment teams. Some teams have gone by helicopter
to areas inaccessible by land. Very preliminary IDB estimates
show that \$11.5 million in damage was known to have occurred
by mid-April. According to the INP, damage to primary
irrigation works was valued at \$21 million ~~and~~ to secondary

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MR6

works at \$13 million, as follows:

	Primary	Secondary	Total
Tumbes	2.5	1.1	3.6
Piura	3.5	7.3	10.8
Lambayeque	6.8	1.7	10.5
La Libertad	5.0	1.7	6.7
Ancash	1.2	1.2	2.4
TOTALS	21.0	13.0	34.0

However, there have been newspaper reports that the Casa Grande sugar cooperative in La Libertad has alone suffered over \$11 million in damage to crops and installations (canals, bridges, roads, wells, electricity systems and worker housing).

COMMENT: Restoration (cleaning and rehabilitation) ^{of} ~~of~~ irrigation infrastructure will have to be a primary concern to get agricultural production going ^{again} ~~again~~ on the north coast. A second crop is usually planted in June/July (usually not rice). If replanting does not occur then, agricultural production losses would be much higher ~~than~~ ^{than} present estimates indicate. In either case, there may well be a need for supplementary feeding in the northern departments. End Comment.

D. Other Infrastructure Damage.

Damage has also occurred to fishing facilities: 33 shrimp farms with 800 hectares of pens; a fish processing plant; a fishing complex; some boats. Total damage is estimated by INF

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at \$3.7 million plus production losses. The SIDERFER steel plant has suffered water damage and lost production; estimated value is \$6 million. The ~~PERU~~ ^{PETRO} gas and oil pipelines have been damaged. Only partial estimates of their repair cost have been made, but they come to \$3.4 million.

3. Summary Loss Estimates.

	(\$ Millions)
A. Agricultural Production	170
B. Physical Infrastructure	
(1) Roads and Telecommunications	113
(2) Housing and Urban Services	104
(3) Agricultural Infrastructure	26
(4) Other	12
C. Total	425
of which: flood zones	\$290 million
drought zones	\$135 million

4. Conclusions: These summary damage estimates may have a wide margin of error due to the uncertainty about the extent of losses in isolated rural areas. For example, USAID inspection teams that have visited the cities of Turbes, Piura, Chiclayo, Trujillo and Chicbote have repeatedly heard reports that destruction and human suffering in rural areas have been even greater ~~than~~ ^{the} than in/major cities. Indeed, USAID observations of the rural towns of Bajo Piura and those outside

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of Chiclayo (particularly the towns of Morrope and Tucume-- see LIMA 4205 for further details) would seem to confirm these comments. With many roads cut--and rains continuing--more accurate damage estimates in these rural areas will take more time to collect.

Another great source of uncertainty is that weather conditions remain unsettled. Current weather projections indicate that rains may continue throughout May. Given the unprecedented weather conditions no one can accurately predict when the rains, flooding and ~~the~~ drought will end. (FYI: Heavy rains are continuing to fall in Piura and further south). Thus, Peru's suffering is far from over. More flooding in the north--and drought in the south--could push ~~damage~~ ^{loss} estimates even higher. Finally, flooding and landslides have cut most road transportation in northern departments making damage assessments extremely difficult. IDB teams could only visit a limited number of flooded zones and see a limited sample of affected areas. INF estimates were based ~~on~~ ^{on} reports from their personnel assigned to Departmental Development Corporations (CORDEs) and from sectoral specialists. Few have experience in estimating damage losses.

However, while there ~~is~~ remains uncertainty about current damage estimates, USAID's own observations indicate that US\$425 million in flood and drought losses is reasonable as an order of magnitude. Clearly Peru is confronting a

significant disaster. When combined with the destruction and crop losses caused by terrorism in Ayacucho Department, overall losses will probably exceed US\$500 million.

These disasters already are aggravating the political, social, and economic strains caused by the difficult economic restructuring program which the GGP is working out with the IMF and private banks. The current climate for private bank lending in Latin America and the IMF's prescription for overall economic contraction in the second year of the LFP program leave few options in financially accommodating disaster relief and reconstruction programs.

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4463

FROM AMEMBASSY LIMA CLASSIFICATION UNCLASSIFIED

12356
E.O. 12812
TAGS:
SUBJECT:
ACTION:

N/A
Peru Disaster Roundup Cable No. Three: Actions to Date
SECSTATE WASHDC IMMEDIATE
INFO: AMEMBASSY QUITO
AMEMBASSY LA PAZ

UNCLAS LHM 4463

Dist.: AIDAC

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REF: LIMA 9996

1. The GOF declared states of emergency as the seriousness of the situations in the north and south became evident, starting February first for Piura and Tumbes and ~~the~~ three weeks later for Puno. These situations were slow in evolving. At first, conditions in both places were not really that different from had past years. Piura and Tumbes have/in the past heavy rains for a few weeks that led to high waters but then stopped. Puno has had mini-droughts in the past that retarded plant development ~~but~~ but then stopped. What turned unusual weather into disaster was the persistence of that weather. It took time for people—even people in the affected areas--to realize

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DRAFTED BY: *[Signature]* DRAFTING DATE: 4/30/83 TEL EXT: 468 CONTENTS AND CLASSIFICATION APPR: *[Signature]*
PROG: R. Maushammer: vs D: JSantbrailo: *[Signature]*

CLEARANCES

DD: GHill: *[Signature]* POL: DClare: draft DCM: GJanbery: *[Signature]*
INFO: ENGR1: EAlarcon: _____ ECON: MGJones: draft
AGATT: NFrancis: draft

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that the weather was not going to get better from one day to the next and that it had in fact become a longer-term phenomenon. The disaster crept up and caught Peru unaware.

2. Most relief activities have occurred in the north.

3. We estimate the GOF, through Civil Defense, the military and the Departmental Development Corporations, has spent about \$5 million for immediate repairs to keep roads open and attend emergency health and feeding needs. Emergency shipments of food, fuel, potable water, construction and transportation equipment and building materials have been sent to the affected departments on the north coast. Crews worked around the clock to build defenses against river over-flows and bridge wash outs, to clear landslides and mudslides from major highways and to construct temporary roadways to replace damaged sections of the Northern Pan American highway, the Central highway and important regional roads.

The very dispersion of the ~~damage~~ ^{means} damage ~~has meant~~ that relief efforts are also dispersed, making an assessment of their magnitude and effectiveness (relative to needs) a difficult undertaking.

In addition to various ministries and the development corporations, other Peruvian organizations assisting in relief efforts include: the National Food Support Office (ONAA); the National Family Welfare Institute (INABIF); the Aero Club del Peru; the Peruvian Pharmaceutical Laboratories Association (ALAFARPE); local emergency committees; CARITAS; the Adventist welfare organization

flood
(CFASA); a national flood relief telethon; ~~XXXXXX~~ and numerous local groups.

3. International assistance has been received from the International Red Cross, UNICEF, the UN Disaster Relief Organization (UNDRO), the Food and Agriculture Organization (FAO), the Pan American Health Organization (PAHO), OAS, OXFAM, OAS, CRS, CWS, Germany, Australia, Belgium, Canada, Korea, China, Chile, Spain, Finland, Great Britain, Italy, Japan, Norway, Switzerland, the Vatican, Venezuela, the European Economic Community (EEC), and the United States. The list of sources of assistance has probably grown even since this recap was made.

4. Preliminary assessments of ~~damage~~ ^{damage} have been carried out by the Inter-American Development Bank and the National Planning Institute (INP). Their results ~~XXXX~~ ^{are} summarized in our ~~XXXX~~ ^{roundup} cable number two.

The GOF has had preliminary discussion with the IDB and the World Bank regarding the use of resources presently available or actively under negotiation to attend disaster rehabilitation and reconstruction needs. The proposal is summarized in our ~~XXXX~~ ^{roundup} ~~XXXX~~ ^{RSSXXXBP} cable number four.

IDB representatives tell us that the IDB is considering a reconstruction loan package of between \$25 and \$-5 million ^{or} concentrating ~~on~~ roads, electricity and water/sewerage, while

addressing the irrigation clean-up by reprogramming currently approved resources. This IEB reconstruction loan may be ready for approval by June 30, but actual disbursements may not begin before the end of CY-1983. IEB is also considering a new ~~approved loan~~ agricultural credit loan. The IEB had been holding out an Urban Development Project as a carrot for several housing policy changes and may be less than totally willing to give up those policy objectives. IEB representatives ~~have~~ told USAID that they are prepared to consider a GOF request for reprogramming of already approved IEB loans ~~minimum loan requirements~~ for reconstruction purposes. Areas that could be served include repairs to roads, irrigation facilities, airports, the oil pipeline and the provision of agricultural credit. At this time, IEB does not expect to develop any type of separate reconstruction or emergency loan program such as the one being developed by IEB.

5. The GOF is considering the relative advantages of establishing a separate Special Project Office for the Reconstruction Program in the Presidency of the Council of Ministers (the Prime Minister's Office) to channel disaster rehabilitation and reconstruction resources to the proper implementing agency. * Such a Special Projects Office would probably be created similar to the ones that have successfully been implementing AID and other donor projects in the High Jungle. It would join fifteen other

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Special Projects now being coordinated and administered through the Prime Minister's Office. A Special Projects Office for Reconstruction Programs would probably work through the Departmental Development Corporations (CORDEs) and Line Ministries to implement local reconstruction activities.

Both USAID and IDB agree that the creation of a new Special Projects Office that could quickly coordinate and implement reconstruction activities will require extensive budget support and technical and managerial assistance. Likewise, in some Departments, the CORDEs are quite weak and have limited implementing capacity. Budget support and technical assistance to expand quickly the implementing capacity of the CORDEs and help create a Special Projects Office may be one of the highest priority requirements for initiating an effective GOP response to the disaster.

However, the GOP has made no final organizational decisions about the reconstruction program. Indeed, the Prime Minister ~~has~~ told the U.S. Ambassador and the USAID Director ^{April 28} that he does not want to have overall responsibility for the reconstruction program or for any other ^{isw} Special Projects. A ~~bill~~ ^{law} is now being discussed in the Peruvian Congress that would remove all Special Projects from the Prime Minister's Office.

6. In mid-April, the Peruvian Congress authorized the Executive Branch to contract up to \$200 million in new foreign

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debt, to ~~be~~ issue "Reconstruction Bonds" with a face value of 200 billion soles (\$154 million at the April 15 exchange rate of 1,300 soles per dollar) and to use credits that the Central Bank could make available within its monetary program. This financing would be used for relief, rehabilitation and reconstruction activities. The Reconstruction Bonds will be available in two series. Both series will pay tax-free interest at 56% (capitalized quarterly) and mature two

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years after purchase. Purchase of Series A bonds will be obligatory and will be equal to ten percent of income earned each month during the period May 1983-April 1984 if monthly income is greater than ~~minimum monthly salaries currently about \$400.~~ ^{minimum monthly salaries currently about \$400.} Purchase of Series B bonds will be ~~and~~ ^{and} voluntary ~~They~~ will give rise to a income tax credit equal to 35 percent of the amount purchased, up to 40 percent of taxable income. The law also authorizes the Central Bank to restructure its monetary program to provide credits of up to 200 billion soles (\$154 million) to the Treasury for reconstruction purposes, including payment of interest on the Reconstruction Bonds. The internal resources provided by the bonds and Central Bank ~~credits~~ ^{credits} will be used to set up a special account as part of the 1983 budget. Finally, the law provides for an implementing supreme decree which, among other things, will establish which implementing agencies will be able to use these funds.

7. The government has also provided tax relief for disaster victims (damnificados) in Piura and Tumbes under both the above legislation and an earlier supreme decree.

8. As the rains have continued since the ^{GOP disaster declaration} ~~emergency~~ on February one ^{drought} ~~and the extent of the drought~~ in the ^{limited} ~~South~~ has become more apparent, the ~~limited~~ ^{limited} initial U.S. emergency response has increased. Early U.S. efforts to assess the nature and extent of the emergency, provide limited

food supplements to people isolated by the flooding in the North and reprogram certain ongoing AID projects for reconstruction have been expanded by additional emergency measures particularly in the North as conditions there have deteriorated.

U.S. Office of Disaster Relief funds now committed to the disaster total \$170,000. In addition, OFDA has provided two disaster consultants (Gersony, Kofan) ~~worth \$200,000~~, and some stockpiled commodities (16 water tanks). Additional assistance may prove necessary. P.L. 480, Title II food diverted to emergency programs now exceeds 700 tons. The Voluntary Agencies believe substantial additional P.L. 480 foods will be required in both North and South.

AID has agreed to make \$1.4 million available from an ongoing Housing Guarantee program for housing reconstruction and is discussing an emergency reprogramming of ~~health~~ ~~and other projects.~~ AID Portfolio loans in private sector agricultural credit and small enterprises may also be used for some ~~XXXXX~~ reconstruction-subsiding.

The U.S. also had made available substantial credit and donation programs as part of the ~~country's~~ ~~country's~~ pre-disaster financial requirements: ~~about~~ ~~about~~ \$220 million in U.S. Commodity Credit Corporation ~~XXXXXX~~ ~~XXXXXX~~ \$80 million in Export-Import Bank credit guarantees and a \$15 million donation of powdered milk ~~XXXXXX/XXXX~~

and butter oil. Some of these resources may be diverted to disaster related uses.

9. CONCLUSIONS: During the past four months, USAID has moved cautiously in responding to Peru's flood and drought conditions --not wanting to over-react nor under-react. Because of the relatively slow moving nature of the disaster --highly dispersed over time and space--the dimensions of the damages that were ~~being caused~~ ^{happening} were not fully appreciated until April. Throughout the months of February and March, weather predictions gave reason to hope that the unusually heavy rains and severe drought would end shortly. While it was recognized that Peru was encountering some difficult weather conditions, the situation appeared manageable without major international assistance. When heavy rains and flooding continued unabated in the north throughout April--and drought persisted in the south--it was clear that Peru had a significant national disaster.

USAID's response followed this same pattern and was slowly escalated. Beginning in February, we provided small amounts of OFDA emergency assistance (including a visit by an OFDA Disaster Specialist), and we expanded Title II feeding programs in the affected areas. USC assistance served to stimulate other countries and donors to contribute. In March and April, we began ~~to approve~~ ^{discussing with the GOF} some reprogramming of funds within already approved projects that could be

used for rehabilitation and reconstruction. ~~PARA~~ Other donors such as the IDB moved in a similar direction. We all hoped that reprogramming by itself could meet the need. As heavy rains continued throughout April, the GCF, IDB and USAID began undertaking more detailed assessments and more frequent and comprehensive field inspections that now have identified the large amount of damages that have been caused by five to six months of continuously bad weather. It is clear that small-scale emergency responses and the reprogramming of existing projects--while important and necessary--cannot alone deal with the full dimensions of the disaster. New assistance is necessary, as will be outlined in the following cables.


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FROM	AmEmbassy LIMA	CLASSIFICATION	UNCLASSIFIED
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12356
E.O. 11652
TAGS:
SUBJECT:
ACTION:

N/A
Peru Disaster Roundup Cable No. Four: Rehabilitation and Reconstruction Program
SecState WASHDC IMMEDIATE -

INFO: AmEmbassy QUITO -
AmEmbassy LA PAZ -

UNCLAS LIMA 4498

~~RE: AIDAC~~

JOINT STATE/AID/USDA MESSAGE
Economy, Finance

1, The Ministry of ~~Finance, Economy~~ and Commerce (General Directorate of Regional Investments, Vice-Ministry of Economy) has prepared an estimate of the resources required in 1983 and 1984 for the rehabilitation and reconstruction of physical damage (to April 15) and for the re-establishment of agricultural production. It comes to current 608 billion soles (\$467 million at the April 15 exchange rate of 1300 soles per dollar). The National Planning Institute (INF) has prepared its own estimate which comes to 369 billion soles (\$284 million). Comparison, by sector (millions of dollars):

	MEFC	INP
Agriculture	176	54
Transport/Comm.	123	134

DRAFTED BY - PROG: R. Maushammer/cdb	DRAFTING DATE 4/24/83	TEL EXT	CONTENTS AND CLASSIFICATION APPROVED BY R. Maushammer
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CLEARANCES

INFO: ENGRJ: EAlarcon *EAlarcon*

POL: (draft)

DCM: JLamberty: *2*

DD: GAHill: *GAHill*

ECON: (draft)

AGATT: NFrancis (draft)

Housing	63	63
Electricity	1	14
Hydrocarbons	66	3
Fishing	NI	1
Industry	NI	3
Education	3	6
Health	1	2
Multi-sectoral	6*	4**
TOTAL	457	26-

NI is "not included."

* Employment Generation.

** Departmental Development Corporation employment generation ~~projects~~ projects.

COMMENT: Major conceptual differences between these two proposed programs exist in agriculture, electricity and hydrocarbons.

(A) In agriculture, the INF proposal includes (\$ millions):

Irrigation/Flood Protection Works	\$27.6
Use of temporary ^{pastures} pastures in north	3.5
Small irrigation projects in south	14.7
Rehabilitation of small farms in north	13.0
TOTAL	\$53.6

The MEFC agriculture program proposes the following (\$ millions):

Irrigation Works	\$12.5
Rehabilitation of plantings in the north	15.4
offset for Agricultural losses in the south	148.4

17A

TOTAL

\$176.3

It is not clear how the agricultural losses in the south would be offset financially, but the MEFC proposal shows Agrarian Bank resources being used, presumably via debt rollovers plus new credit for replanting. The IDB is mentioned as the source of external resources, but the total gap between the \$80 million IDB Global Agricultural Credit loan (under discussion since before the disasters) and ag sector rehabilitation and reconstruction credit would be over \$40 million.

(B) In electricity, the INF proposal includes repairing all reported damage, as would the MEFC proposal. The INF proposal also apparently includes some extensions to the primary and secondary distribution systems.

(C) In hydrocarbons, the MEFC proposal includes the complete rehabilitation of the Talara oil complex (\$50.8 million), a study of major risks facing the oil pipeline in its present path (\$10.8 million) and work to carry out the study's recommendations (\$24.7 million). The INF plan would attend only the most urgent needs. End Comment.

2. The MEFC program is divided as follows:

	1983	1984	Total	Public	Private
Amount (\$ millions)	270	197	467	2-5	222
Percentages	58	42	100	52	48

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By source: Public Treasury	24.8
Counterpart Fund	62.9
World Bank	74.4
IDE	148.5
ELECTROPERU	1.0
PETROPERU	86.3
Materials Bank	3.8
Agrarian Bank	41.0
Unspecified	<u>3.8</u>
TOTAL	467.3

3. The obvious major weaknesses shared by the INF and MEFC programs are: (A) short and medium term supplementary feeding needs are not included; (B) neither program discusses or estimates the resources required for the rehabilitation of damaged housing; (C) except for urban street and building clean-ups, no mention is made of minor infrastructure rehabilitation, such as farm to market rural roads (this is probably a reflection of the continuing difficulty of surveying rural areas); and (D) the tremendous administrative and logistical problems sure to be encountered in all rehabilitation and reconstruction efforts are neither identified nor addressed. Although the MEFC proposed program discusses financing as far as the IDE and IERR are concerned, there is the additional problem that rehabilitation and ~~MEFC~~ reconstruction efforts will still be constrained by the availability of financing--

and ~~with~~ neither the IMF nor the MEFC proposal prioritizes needed actions. Clearly the highest priority actions cannot be held up pending the availability of IDB and IBRD resources. Of course, financial ~~is~~ resource needs include both external resources as well as counterpart and other internal resources. All of these weaknesses are clearly due to the preliminary nature of the documents and reflect ~~the~~ the evolving nature of the disasters. In spite of this, it is just as clear that action plans and priorities must be developed now, however tentative and subject to revision they may be.

4. Even before the natural disasters, the GCF was faced with the Herculean tasks of finding sufficient ~~is~~ external credits to meet Peru's balance of payments needs and of devising a budget financing plan that would do the least damage to Peru's already lagging economic development. The preliminary GCF plan for 1983 was agreed to by the IMF long before the extent of damages due to "El Niño" were known. It called for a public sector deficit of no more than 3.6 percent of Gross Domestic Product (GDP), over \$4 billion in international credits and a ceiling on public sector investments of 8.3 percent of GDP. (By way of comparison, the deficit was 8.6 percent of GDP last year, while public sector investment was 10.2 percent of GDP.) This plan was designed to be consistent with GDP growth of 3.7 percent this year. However, increasingly-apparent external and internal financing constraints, combined with lower export

prices, will mean that GDP will probably fall this year by at least 3 to 5 percent. (Previous GDP drops of 1.2 percent in 1977 and 1.5 percent in 1978--the largest in Peru's modern history--were accompanied by social unrest, including ~~violent~~ violent strikes, street demonstrations, corporate failures and rising unemployment.)

A. The plan called for negotiation of several external credit packages, including one for up to ~~XXXX~~^{\$610} million from a consortium of 265 ~~■~~ foreign commercial banks, consisting of about \$450 million in new money and the balance in rollovers of medium-term debt falling due in 1983 (whose actual level is still under discussion). The ability of the GOP to arrange this package was complicated by the current inclination of commercial banks to limit ~~credits~~ credits to Latin America. It will require virtually unanimous agreement by all commercial banks to roll over this debt.

B. In order to stay within the agreed-upon public sector deficit limit, Peru had increased taxes and utility prices and cut back sharply on public sector expenditures. During the first three months of this year, public sector investment expenditures were reportedly only a quarter of what they were during the same period last year, constrained by Treasury cash flows. Treasury tax receipts during this period were down a third in real terms from a year ago. The gap in domestic resources that faces the GOP this year was and is huge.

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5. Now, with the natural disasters, Peru is facing a very dark panorama. Whereas the programmed public sector deficit was around \$780 million this year, expenditures will now have to increase \$270 million to meet ~~xx~~ this year's rehabilitation and reconstruction needs. Revenues, even with the Reconstruction Bonds, will do very well to drop no more than the \$200 million originally predicted for this year. Even the eventual resolution of Peru's international debt situation would still mean a considerable reduction in overall short-term foreign credit availabilities. Whereas the balance of payments was expected to show a deficit of \$900 million and a net foreign exchange reserve loss of \$100 million, the shortfall in commercial ~~■~~ bank credits could easily push the foreign exchange ~~xxx~~ reserve loss to over \$400 million, while the net foreign trade impact of the disasters (IDB ~~xxxx~~ estimates the agricultural portion at \$100 million) will further complicate the picture with no assurances that ~~xxxxxx~~ ^{anything} will improve as the year unfolds.

6. It is clear that the GOP has at least four critical gaps that it ~~is~~ must deal with: the foreign exchange gap, which could easily be greater than \$600 million; the gap in domestic budget resources which could easily be double the \$750 million originally projected; the gap in food availabilities, which with rice, potatoes, corn and sugar losses alone will require increased imports of at ~~xxxxxxx~~ estimated \$180 million; and the gap in administrative/managerial/technical capacities to implement and

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supervise the reconstruction effort.

7. What can Peru do in the face of these crises? It is clear that the budget must be screwed down even tighter. Given the GOP's revenue perspectives, wage increases and other public spending must be held to a minimum. It is also clear that the GOP ~~may be forced~~ ^{may be forced} to ease its tight monetary policy, increasing its Central Bank borrowings and letting up somewhat on the private sector credit crunch, even at the cost of significantly higher inflation this year. Heightened concern over increased corporate failures and accelerating unemployment are pushing the GOP along this course, as is the concern that other courses would further debilitate the prospects and capacity for economic recovery in the future. All in all, there isn't much blood left in the ~~turnip--~~ ^{turnip--} Peruvian ~~XXXXXXXXXX~~ nowhere near ~~2~~ what is needed. Peru has no alternative but to seek additional external assistance.

8. Conclusions: Peru will need to dedicate from \$450 million to \$500 million this year and next to the tasks of rehabilitating and reconstructing infrastructure damaged by the natural disasters and of putting agriculture back on its feet.

Although IDB and IBRD reprogramming will help finance the reconstruction ~~PROGRAM~~ program, most disbursements will not begin until next year. Other assistance--fast-disbursing assistance--is needed this year to help meet the present dimensions of the four gaps that the disasters have greatly exacerbated. Our response

has to be quick, it has to be large enough to signal other countries that we believe the situation is extremely delicate and that they should also contribute their share, and it has to be large and flexible enough to start turning the situation around ~~around~~ ~~while~~ while the IMF, IEPD and bilateral responses are being geared up.

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TELEGRAM

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AMEMBASSY LIMA

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12356
E.O. 12812:
TAGS:
SUBJECT:

N/A
Update on Damage and Loss Estimates

file B1 7

ACTION: SECSTATE WASHDC IMMEDIATE

O: AMEMBASSY QUITO -
AMEMBASSY LA PAZ,

LAS LIMA 5240

* Joint STATE/AID/USDA Distribution

S: (a) LIMA 1766, (b) LIMA 4465.

While we will be doing a detailed report, an initial snapshot damage to PETROPERU and Contractors facilities and production as follows:

Production Loss: 5 million barrels along the coast

5 million barrels in the jungle

This would all take the form of lost exports since PETROPERU plies the domestic market first. Thus the total balance of US\$250 million impact will be about \$600 million. Insurance coverage only for equipment and installation (losses at less than million). So as far as we know none of the production losses covered by insurance.

DIST.

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DRAFTED BY PROG: RJMauslander: vs	DRAFTING DATE 5/20/83	TEL EXT 468	CONTENTS AND CLASSIFICATION APPROVED BY Act. D.: CHill: <i>AM</i>
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CLEARANCES
CONTRIBUTION: ECON: GJades
Eugene

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- B. Road Damage: \$55 million damage
200 kilometers of asphalted trunkroads
3,000 kilometers of all weather roads
- C. Water Supply: \$1.5 million
Paíta/Talara area
\$1.0 million
Portochuela system
- D. Electric Power: Total \$420,000
Malaca/Talara Low Tension Distribution damages

E. Sewerage: in industrial zone and Punte ~~XXXXXX~~ Arenas
\$1 million

F. Housing and Industrial buildings: \$300,000

G. Communications: \$200,000, but this
~~but~~ could go into the tens of millions.
infrastructure losses

H. Ref I (b) reported partial estimates of petroleum at \$3.4 million. These are now in the area of \$60 million. The estimated lost production and exportation of petroleum at \$250 million is a crippling blow to previous balance of payments estimates, accounting for about half of expected 1983 petroleum exports. It comes at the same time that GDF is lowering the average price it expects to receive to \$25 per barrel. Together these mean that petroleum exports could be as low as \$270 million in 1983, down \$300 million from the prior estimate.

2. Intensified rainfall (data follow septel) and continued flooding on the north coast have increased agricultural crop losses and infrastructure damage. The following National Planning Institute figures pertain only to the period since (b) the date covered by ref A (approximately mid April) to about May 10. Since then, damage has increased ~~markedly~~ notably, although figures are not yet available.

	(\$ millions)
A. Irrigation Infrastructure	
- Piura	0.6
- Ancash	1.1
B. Road Infrastructure	
- Piura	0.6
C. Potable Water and Sewerage	
- Piura	0.4
D. Fishing - Ancash	0.1
E. Total	2.8

3. Ministry of Transport personnel are currently revising their road damage estimates. Assessment team returning from the north this weekend. Data could be available as early as Monday, May 23.

4. In summary, we now estimate, on the basis of information available at present, that Peru has lost around \$735 million as a result of its natural disasters.

A. Petroleum Production Lost	\$250
B. Petroleum Infrastructure Damage	60*
C. Agricultural Production	170
D. Other Infrastructure	
<u>for</u>	
(1) Roads and Telecommunications	115*
(2) Housing and Urban Services	105
(3) Agricultural Infrastructure	28
(4) Other Other	<u>10</u>
E. Total	\$738

* Some degree of double-counting possible.

5. Meanwhile, the GOF continues to revise its ^{estimates of} ~~assessments~~ losses, generally upwards, as the result of new information it is able to collect. We have received a copy of the final draft of the Apurimac Department Drought Emergency Plan and understand that several others are in various ~~stages~~ stages of completion. The continuing problem is that of getting assessment teams into the field from major departmental cities.

6. Our ~~greatest~~ greatest fear is that the continuation of rains and flooding on the north coast and some highlands areas will spread further south and east. The National Planning Institute is starting to get reports of damage and loss in the high jungle, both from water and by spoilage of products not able to move to

market because of blocked roads. Further delays in replanting
in the north coast flood zones will cause food import
requirements to ^{shoot} ~~shoot~~ up even higher.

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LAMBERT
MAR

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