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UNCLASSIFIED

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

PERU

PROJECT PAPER

DISASTER RELIEF AND REHABILITATION
AND RECONSTRUCTION

AID/LAC/P-151/1

Loan Number: 527-W-062
Project Number: 527-0277

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <input checked="" type="checkbox"/> C A = Add B = Change D = Delete	Amendment Number One	DOCUMENT CODE 3
2. COUNTRY/ENTITY PERU		3. PROJECT NUMBER 527-0277		
4. BUREAU/OFFICE Latin America and Caribbean		5. PROJECT TITLE (maximum 40 characters) Disaster Relief, Rehabilitation and Reconstruction		
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		

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	2,260	9,041	11,301	13,000	52,000	65,000
(Grant)	(1,660)	(6,641)	(8,301)	(6,200)	(24,800)	(31,000)
(Loan)	(600)	(2,400)	(3,000)	(6,800)	(27,200)	(34,000)
Other U.S.						
1.						
2.						
Host Country		4,000	4,000		22,000	22,000
Other Donor(s)						
TOTALS	2,260	13,041	15,301	13,000	74,000	87,000

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. 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) SDA	900	940	940		3,000				3,000
(2) ARDN	900		940	2,000				2,000	
(3) IDA				5,240	23,000	17,459	8,000	22,699	31,000
(4) SH				6,301				6,301	
TOTALS				13,541	26,000	17,459	8,000	31,000	34,000

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

15. PROJECT PURPOSE (maximum 480 characters)

The purpose of the additional funding proposed through this amendment is to further strengthen and expand the GOP's reconstruction implementation mechanism and reconstruction fund, and further expand and strengthen PVO disaster relief, rehabilitation and reconstruction programs.

14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM YY	MM YY	Final	MM YY	<input checked="" type="checkbox"/> 000	<input checked="" type="checkbox"/> 941	<input checked="" type="checkbox"/> Local	<input type="checkbox"/> Other (Specify)	
	02 84	09 85		06 86					

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 37 page PP Amendment.)

The purpose of this amendment is to adjust the distribution of the loan and grant funds to reflect actual distribution.

17. APPROVED BY	Signature	Date Signed			18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION		
	Title	MM	DD	YY			
	John San Paulo	10	25	83			
	Director, USAID/Peru						



ADMINISTRATOR

PROJECT AUTHORIZATION
(Amendment No. 3)

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

1. Pursuant to Sections 106, 491 and 492(b) of the Foreign Assistance Act of 1961, as amended, the Disaster Relief and Rehabilitation Project for Peru was authorized on July 20, 1983 and the authorization was amended on August 31, 1983 and on September 30, 1983. That authorization is hereby further amended as follows:

a. Delete the phrase, "Name of Project: Disaster Relief and Rehabilitation" and substitute in lieu thereof, "Name of Project: Disaster Relief, Rehabilitation, and Reconstruction."

b. Delete paragraph 1 in its entirety and substitute in lieu thereof the following:

Pursuant to Sections 106, 491 and 492(b) of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Disaster Relief, Rehabilitation, and Reconstruction Project for Peru involving planned obligations of not to exceed Thirty-four Million United States Dollars (\$34,000,000) in loan funds ("Loan") and Thirty-one

Million United States Dollars (\$31,000,000) in grant funds ("Grant") over a three (3) year period from the 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 (3) years from the date of initial obligation.

c. Add at the end thereof the following:

e. Condition Precedent to Disbursement

Prior to the disbursement, or the issuance of any commitment documents to finance Disaster Relief, Rehabilitation or Reconstruction subprojects under Authorization Amendment No. 3, the GOP shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., the criteria to be utilized in the selection and ranking of such subprojects.

2. The authorization cited above remains in force except as hereby amended.

M. Peter McPherson
Administrator

Oct 7, 1983
Date

Clearances:

A/GC:JMullen	<u>JEW</u>	Date	<u>10/7/83</u>
A-AA/PPC:RDerham	<u>JEW</u>	Date	<u>10/7/83</u>
A-AA/LAC:MDBrown	<u>JEW</u>	Date	<u>(10/5/83)</u>

GC/LAC:PJohnson/gw 0089A:Ext. 632-3272:10/3/83

DISASTER RELIEF, REHABILITATION, AND RECONSTRUCTION PROJECT
PP Amendment
527-0277

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I. SUMMARY FINDINGS AND RECOMMENDATIONS

A. Summary

The following PP amendment is presented to request additional funding for the Disaster Relief, Rehabilitation, and Reconstruction Project (formerly the Disaster Relief and Rehabilitation Project). The goal and purpose of the amended Project remain unchanged. The purpose of the additional funding proposed through this amendment is to further strengthen and expand the GOP's reconstruction implementing mechanism and reconstruction fund. This will be accomplished through the provision of additional resources for subproject financing, technical assistance, and operational support costs, and through further expansion and strengthening of PVO disaster relief, rehabilitation, and reconstruction programs.

During late 1982 and the first half of 1983, Peru suffered one of the worst natural disasters in its history. Extensive flooding in the northern coastal areas accompanied by severe drought in the southern sierra caused extensive social dislocation and suffering and dealt severe blows to an economy already seriously affected by the world economic recession. As summarized in Lima 9200, which describes the disaster-related housing guarantee program recently submitted by the Mission, losses as of July 1983 totaled an estimated \$1.1 billion (also see Lima 6954 and 6963 for further Mission analysis of disaster losses). Over 1.3 million people have been affected by the disaster which caused extensive agricultural crop damages and has resulted in millions of dollars in lost exports and tax revenues. Roads, irrigation works, petroleum production and distribution facilities, airports, and water and sewer systems have been badly damaged over large areas. There have been major losses in the education, health, and housing sectors. Overall, nearly half a million Peruvians have either suffered damage to their homes or have entirely lost their homes. Peru has requested major humanitarian assistance from A.I.D. and other donors to help finance the large rehabilitation and reconstruction effort that lies ahead.

In Lima 4499, the Mission proposed an overall AID Relief and Reconstruction Program that totals \$105 million. This includes PL-480 resources, emergency relief and reconstruction grant/loan funds, and a Housing Guaranty (HG) authorization. Given the large losses caused by these natural disasters and the serious economic problems being confronted by the Peruvian economy, USAID believes that a \$105 million relief and reconstruction program represents a minimum level of USG assistance.

The Project proposed in this amendment will provide additional funds to finance relief activities, to provide humanitarian assistance and alleviate suffering, and for reconstruction and rehabilitation of vital social and economic infrastructure. The amended Project will assist the GOP in financing priority projects identified in the national rehabilitation and reconstruction plan, the first phase of which is currently estimated at approximately \$400 million. These funds are in addition to the resources identified as required for HG financing. Extensive effort was dedicated to the preparation of the plan by the Departmental Development Corporations (DDCs). It was then reviewed and approved by the National Planning Institute (INP), and ultimately

approved by the Council of Ministers and the Congress. Thus, it represents an accurate estimate of the requirements identified as of July 1983 and establishes that there is an immediate need to fund \$400 million in high priority rehabilitation and reconstruction projects in the disaster area. Of this \$400 million, it is expected that \$160 million will be provided by the IDB, Andean Development Fund (CAF), and the World Bank, and that approximately \$100 million will be financed by resources generated by GOP Reconstruction Bonds. This leaves a critical shortfall at this time of \$140 million needed to address the disaster relief and reconstruction requirements, and to alleviate human suffering. AID financing at the proposed \$105 million level will therefore, make a significant contribution, to fund priority activities for which no other sources of financing are available.

The Mission, therefore, proposes that a minimum of an additional \$60 million (over the \$5.0 million now obligated) be made available to assist the GOP in carrying out this program. Grant funds are requested given the difficult economic, social, and political conditions currently prevailing in Peru and that AID funds will largely be used for activities for infrastructure replacement and repair and in the social sector, which are of a non-recoverable nature. Another key focus of this Project will direct AID funds to facilitate the more rapid use of other donor reconstruction resources. In addition Project funds will finance the activities of the PVOs in carrying out emergency food relief, food for work programs, and other disaster related assistance. Additionally, in the case of the destroyed infrastructure, much of it was originally financed with foreign borrowings, which is still being amortized. To the extent which the USG can ease this burden through the provision of reconstruction and rehabilitation funds in the form of a grant, the Mission strongly recommends that this approach be used.

B. Budget

The proposed amendment will provide additional funding to the original Project authorized at \$10.0 million (\$4.0 million in loan funds and \$6.0 million in grant funds) and under which \$5.0 million (\$3.0 million in loan funds and \$2.0 million in grant funds) have been obligated to date. This amendment will provide additional funds to a new total of \$65.0 million.

Summary Budget
(Thousand U.S.\$)

	Grant	A. I. D. Loan	Total	GOP Total	Project Total
I. <u>Technical Assistance and Operational Support</u>	4,000	3,950	7,950	1,000	8,950
II. <u>Disaster Relief and Rehabilitation Sub-projects</u>	20,000	30,050	50,050	21,000	71,050
III. <u>Operational Support to PVOs</u>	<u>7,000</u>	<u>--</u>	<u>7,000</u>	<u>--</u>	<u>7,000</u>
Project Total	31,000	34,000	65,000	22,000	87,000

c. Reconstruction

1. USAID/Peru recommends a concessional loan in the amount of \$34,000 with a 25-year term including a 10-year grace period, and at 2% interest during the grace period and 3% thereafter.

2. USAID/Peru recommends that a grant be provided in the amount of \$31'000,000.

II. PROGRESS TO DATE

A. Overview

The wayward warm water current called "El Nino" has disrupted weather patterns along the coast of Peru causing unusually heavy rains in the north and drought in the south. During the first six months of 1983, rains 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 a 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 was 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 area for at least a two to three year period. The abrupt weather change also brought dramatically decreased fish catches; flooding caused extensive damage to infrastructure; and some cities in northern Peru were isolated from land transport for many months.

These disaster conditions came just as Peru encountered 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 come about as a result of the combination of these negative circumstances. 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.

B. Relief, Rehabilitation and Reconstruction Institutional Framework

1. Introduction

In the four months since the GOP began to dedicate intensive efforts responding in an organized way to the massive rehabilitation and reconstruction task facing the country, it has set into motion an effective and efficient system for managing the process of planning, prioritization, analysis, and implementation of subprojects in the disaster area. The system, which was described conceptually in the Mission's earlier PP, has now been put to the test of actual experience and has demonstrated that it has set in motion a process for dealing with the reconstruction task, and that the four key institutions can and do work together effectively. Virtually all of the funds earmarked for subprojects in the original AID disaster relief and rehabilitation agreement(527-W-082) agreement have been committed and additional projects are in process awaiting increased funding. A brief description of each of the four principal institutions follows below.

2. National Planning Institute

In May 1983 the National Planning Institute (INP) was tasked by the government with developing a national plan to carry out the relief, rehabilitation, and reconstruction activities which resulted from the disaster. In early July, INP issued its program for rehabilitation and reconstruction of the disaster zones, a three volume document entitled "Programa Integral de Rehabilitacion y Reconstruccion de las Zonas Afectadas por los Desastres de la Naturaleza." This planning document was prepared pursuant to a series of decrees establishing the disaster relief, reconstruction, and rehabilitation program. It contains the plans, priorities, and specific projects identified by each of the DDCs in the affected departments. This document was subsequently reviewed and approved for funding by the Council of Ministers and the Congress. The INP document details the financial requirements for the second half of 1983 amounting to S/. 229,147 billion (US\$116.6 million) and for CY 1984 which totals \$229.1 million, with the balance to be provided in CY 1985.

While the INP plan represents an excellent start in dealing with the reconstruction needs of the country, it has omitted a number of important disaster related activities such as agricultural credit, small business credit, and housing credit. The \$400 million identified in the INP plan reflects only those funds necessary to rehabilitate physical infrastructure without identifying the substantial additional financing required to offset the serious production losses and decapitalization that has taken place as a result of the disaster. The \$400 million level, therefore, represents a minimum level of assistance required and clearly under-states the total assistance package which will be required to respond to the disaster. INP and INADE recognize that the approved plan will require modification and updating as additional requirements are identified. As such the GOP does not view the plan as a final document, but rather one which will continue to evolve.

The development of the plan demonstrated the GOP's ability to rapidly mobilize itself, under extremely difficult circumstances and tight time constraints, to produce a well conceived, realistic program which focussed on the most immediate relief, rehabilitation, and reconstruction requirements, and was responsive to the field work carried out at the departmental level by the DDCs.

3. National Development Institute

The Disaster Relief, Rehabilitation, and Reconstruction Project (DRRR) was signed on July 20, 1983. In early July, prior to the signing of the Project Agreement, the GOP had established a national level implementing agency, the National Development Institute (INADE). The Institute was given responsibility for coordinating all disaster related activities and assisting the various Departmental Development Corporations (DDCs), which have the prime implementation responsibility to carry out activities described in INP's rehabilitation and reconstruction program.

In the three months since its creation INADE has been staffed-up with experienced personnel from the Prime Minister's Office who have had responsibility in the past for coordinating activities of the DDCs and facilitating the flow of the central government's financial resources to the Corporations. The Chief of INADE was formerly the Director of the GOP's Materials Bank, which provides low cost loans in the form of building materials, to pueblo joven residents wishing to improve their homes. Thus, the GOP has made the necessary arrangements to provide INADE with a core of experienced and trained staff, and as a result the Institute was able to rapidly become operational and efficiently begin to provide assistance to the DDCs.

By mid-August the Conditions Precedent for the DRRR Project had been met and INADE submitted the first subprojects for approval to the Mission for Puno on August 22 for approximately \$750,000. Subsequent requests for additional projects in Tumbes and Piura, for approximately \$1.3 million, as well as an initial disbursement for INADE's national level activities, were received by the Mission by the end of August. Four grant agreements were also executed by the Mission with the PVOs by the end of August for \$1.0 million in disaster related activities. As a result by early September virtually all of the loan funds for subprojects and INADE operational costs have been committed, in addition to GOP counterpart funds.

4. Ministry of Economy, Finance, and Commerce Unit

As part of the planning and implementation mechanism established by the GOP to implement the Project, a special unit was created in the Ministry of Economy, Finance, and Commerce (MEFC) which is charged with facilitating the flow of funds to approved sub-projects. This unit has been staffed-up with three highly competent individuals, two of whom recently participated in the GOP debt renegotiation discussions in the US and France. Their assignment is to handle all financial coordination of the DDCs, INADE, and the other implementing institutions and assure that funds flow expeditiously to the priority activities identified for funding under the INP plan.

To date, in only four months, some \$10.0 million of GOP funds have been disbursed and almost all of the AID funds have been committed through this process. At a time when government financing is extremely tight due to the fiscal austerity measures, this is a major accomplishment and a demonstration of the fact that the GOP has been able to develop appropriate procedures in response to the disaster, and that it perceives the disaster reconstruction program as one of its highest priorities.

5. Departmental Development Corporations

The Departmental Development Corporations (DDCs) have been tasked by the GOP with development and implementation of the departmental reconstruction plans. These were subsequently forwarded to INP for further review and then consolidation into the national plan. Thus the DDCs were closely involved in the early phases of the planning process for this Project, and their involvement continued as INP reviewed and adjusted the project

composition in the final plan. This resulted in a high degree of commitment on the part of local officials and has assured that there has been a healthy mix of local and national concerns reflected in the planning and execution phases.

The DDCs have been active in presenting requests to INADE for sub-projects and in creatively working with INADE and the MEFC in defining how project implementation will take place and resources will flow. Several of the corporations have identified constraints in their own organizations and have taken measures to deal with these in order to be able to more effectively carry out the key role which they have been assigned in this process. The DDC is the main implementing entity at the local level. However, under INADE coordination the Ministry of Transport is responsible for those subprojects involving airports and national highways. Other national level ministries and agencies such as the Housing Bank, the Ag. Bank, the Ministry of Health, etc., will be responsible under INADE coordination for implementing disaster relief and reconstruction projects in their respective sectors.

The DDCs have already demonstrated a capacity to plan and efficiently implement the activities currently underway, and they have added the technical and administrative personnel to their staffs, required to manage the rapidly increasing portfolio. The Mission expects that up to 13 DDCs will participate in this Project with an average project funding level for each DDC of approximately \$5.0 million over the three year life of project. The Mission concludes, therefore, that the absorptive capacity to implement the Project in a timely and effective manner exists.

6. Conclusions

As indicated above, during the past four months the GOP has moved quickly to develop its reconstruction planning, financing, and implementing mechanisms. A policy framework has been developed along with a detailed reconstruction planning document which identifies specific priority projects for immediate funding. Mechanisms have been developed in INADE and the MEFC to review, supervise, and finance reconstruction activities to be implemented by the thirteen DDCs located in those departments declared disaster areas. These DDCs together with PVOs such as CARE, CARITAS, OFASA, SEPAS, and other local private groups are beginning to rapidly identify relief and reconstruction requirements for immediate funding. A large universe of unfunded relief, rehabilitation, and reconstruction activities now exists and criteria for selecting projects for AID funding have been established. The GOP, through INADE and several different DDCs, now has a proven track record in rapidly committing the first set of projects that qualify for USAID funding and the momentum for developing and implementing new activities is increasing. To maintain this momentum, additional funds are needed immediately to further expand and strengthen GOP and PVO relief, rehabilitation, and reconstruction activities that require funding in 1983-1985.

C. Flood Area - Progress to Date

To date some \$ 8.0 million dollars has been disbursed by the GOP to

the five DDCs in the flood area. These Corporations (Piura, Tumbes, Lambayeque, La Libertad, and Ancash) were the first to mobilize their own resources as result of the dramatic nature of the problems affecting the north. The DDC in Piura has lead the way in identifying projects, implementation arrangements, and operational requirements. These Corporations have as result been able to rapidly identify uses for GOP, AID, and other donor resources and have strong staff and implementation arrangements. The DDCs of Piura and Tumbes have developed scopes or work for contracting local consulting firms to assist in carrying out their increased technical and administrative responsibilities. The DRRR project will be used to finance portions of these costs. In addition the Mission is in the process of contracting a US consulting firm to recruit long-term advisors to be assigned to each of the affected departments and to INADE to assist the GOP in the project planning, implementation, and evaluation activities at the local and national levels.

The PVOs have been particular active in the flood area from the beginning of the disaster. CARE and CRS have both carried out feeding and Food for Work (FFW) projects valued at \$500,000. In the north, CARE is implementing an agricultural recovery and community development program as well as assisting a current Mother/Child Feeding Program (MCF) in Piura Department. The CARE program will purchase seeds and other agricultural inputs and construction materials, and will also finance the cost of equipping 75 feeding centers and the transport and distribution of 2,000 MT of PL 480 Title II foods which will be used in the MCF program. OFASA, SEPAS, and CARITAS are also implementing FFW and Maternal-Child Health programs in the flood-damaged zones, concentrating on reconstruction of agricultural infrastructure, secondary roads, and community development projects.

D. Drought Area - Progress to Date

While the visible damages in the drought area are not as dramatic as those in the flood zone, it is clear that the tragedy to individuals and communities in the Puno, Cuzco, Moquegua, Tacna, Apurimac regions is as bad if not worse than in the north. The Puno corporation, in response to the very real threat of famine in the area, developed a comprehensive disaster assistance program which was included in INP's national plan. The Puno DDC working in close coordination with regional Ministry of Agriculture (MinAg) technicians developed a comprehensive program of utilization of land under irrigation which includes improvement and rehabilitation of irrigation canals, purchase of seed and other inputs, technical assistance, and extension. The first phase of this program will cover 200 hectares of irrigated land for the production of forage crops. This subproject, which will save approximately 120,000 heads of sheep and benefit 5,500 families in 26 communities, has been approved for AID funding in the amount of \$318,000.

The Puno DDC simultaneously developed a first stage program designed to provide immediate relief to 53 rural communities in Puno through the installation of community water wells, development of community vegetable gardens, construction of irrigation canals, road improvement, terracing, and the provision of seeds and fertilizer. This subproject has also been approved for AID financing in the amount of \$348,000. While this represents a major

first step in bringing relief to 53 rural communities in the drought zone, there remain more than 900 additional communities requiring similar assistance. The development of strategy and the planning of and prioritizing of subprojects required to bring immediate relief to the hundreds of thousands of people affected by the drought has been accomplished through the efforts of a well trained, dedicated group of technicians at the local and national level. Field visits to the area by the Mission staff revealed that the local public institutions are inundated with requests for assistance to the outlying communities. CORPUNO for example is receiving up to sixty project proposals per day.

In some cases complementary AID assistance is being provided through other channels. The PVOs have been particularly active in the drought area. CRS, OFASA, and SEPAS have initiated 20 projects valued at \$100,000 in addition to the feeding and FFW projects whose cost exceeds \$400,000. CARITAS, through the Dioceses of Puno, Juli, Ayaviri, and Sicuani, is concentrating its major relief efforts in the south. CARITAS is implementing a Food for Work/Maternal-Child Feeding program to assist 400,000 people in the Departments of Puno and Cuzco, particularly through small-scale irrigation and potable water projects to alleviate future drought-caused problems. OFASA is working in the same region with a \$100,000 grant to carry out similar FFW/MCH projects. SEPAS is expanding its ongoing reforestation and rural development projects to reach an additional 17,000 people in the most affected areas. Thus, it is clear that a basic functioning structure is in place for a rapid response to the drought region and all that is lacking to move quickly is adequate funding for operation support, technical assistance, and subprojects.

E. Other Areas - Progress to Date

The GOP and the Mission have been focussing efforts on the six Departments most severely affected by the Disaster (Tumbes, Piura, Lambayeque, La Libertad, Ancash, and Puno). However, because of extensive disaster-related damages in other departments, the GOP officially designated an additional seven Departments (Cajamarca, Arequipa, Apurimac, Cuzco, Moquegua, Tacna, and Lima) as being included in the disaster zone. Subprojects from these additional Departments will also be eligible for Project financing to the extent that they respond to problems caused as a result of the disaster or that they focus on direct flood or drought aid.

INP and the DDCs have identified projects in these departments which include the effects of rain and mudslides on irrigation systems, transportation networks, communications systems, and education and health infrastructure, as well as drought and other weather caused damage. For example, it has seriously affected additional potato, corn, and sweet potato crops, which would normally be expected to substitute for greatly decreased production of these crops in the area affected by the drought. It has also impeded the marketing of substantial additional rice production from the jungle areas. As a result, the DDCs in these departments have also identified a series of projects which address these problems and which were included in INP's national disaster assistance program. Implementation of several projects in these departments has already been initiated with GOP Treasury Funds. Project financing will be provided to the extent these subprojects meet the eligibility criteria established in the PP.

III. CURRENT SITUATION

A. Economic Overview

1. The Costs of Natural Disasters

The economic costs associated with the southern sierra drought and the northern coastal flooding fall into three categories. First there are the direct production losses: crops destroyed, petroleum production lost, etc. These losses are the most easily estimated because they are visible and measurable. These losses have been estimated by the Mission at \$721.7 million for calendar year 1983. Of these, agricultural production losses account for \$281.9 million: \$130.1 million in the northern coast and \$151.8 million in the southern sierra. In addition to agricultural losses, petroleum production declined \$251.6 million, lost fishmeal and fishoil production, \$152.7 million, and other losses, \$35.5 million. These losses represent a permanent and unrecoverable cost to the Peruvian economy. This represents one of the reasons the Project proposed herein is recommended for total Grant Financing.

The secondary category of losses consists of the secondary effects of the disasters. These losses, in general, are a consequence of the disruption of normal economic activity which the disasters have produced. Thus, there is a loss of the value added which would have resulted from the transportation, processing, wholesaling, and retailing of the agricultural commodities which were lost as a result of the disasters. Also in this category are the short-run losses from the decline in aggregate demand that has resulted from the disaster-induced decrease in income both inside and outside the affected areas. The fact that these secondary effects are inherently temporary makes them no less real. Moreover, secondary effects tend to persist beyond the events that caused them as, for example, when firms weakened financially by disaster-caused declines in production close their doors. Overall, secondary effects appear to be roughly equal in magnitude to the direct losses stemming from the drought and floods, approximately \$700-800 million.

Also in the category of secondary output effects of the natural disasters are their impacts on the public sector's fiscal position and the balance of payments. The fiscal consequences are particularly acute. At the very time that the GOP finds extraordinary demands placed on it to supply services and repair infrastructure, it finds its revenue base undermined by the decline in economic activity; external financing--limited in any case--is further limited by the weakened balance of payments position; internal financing can be resorted to only at the cost of displacing private sector credit. Here again, the key characteristics of the problem is the disruption of normal economic activity. These aspects of the problem will be discussed in more detail below.

The third category of losses is the loss and damage of the nation's capital stock. The precise extent of the damage to that stock is very difficult to measure. There are complex problems of valuation of equipment and structures, most of which have no reference market price. Nonetheless, the project list developed by the GOP can be used to establish a

lower limit, approximately \$400 million, to the total extent of the damage to the capital stock. Damage to the current stock of capital assets does not, of course, represent a loss of current production. Rather, it represents a reduction in the potential for future production. A cost-benefit analysis for each subproject has not been done here because of the lack of commonality of the many different types of subprojects, the formidable data requirements involved, and the very high cost, in terms of forgone production, of the delays in implementation that such analyses would involve.

Nonetheless, a review of the descriptions of the individual subprojects strongly suggests that they have very high internal rates of return. In the main, they involve the repair of damaged portions of much larger systems of works, such as bridges or short stretches of main or feeder roads, portions of damaged irrigation systems, etc. In the absence of such repair or reconstruction, most of the benefits of the original systems are forgone. Thus the IRR of the repair project is likely to be some multiple of the IRR of the original system.

The focus of the current Project, therefore, are the second and third category of losses, which includes the rehabilitation of the Nation's capital stock as well as increased credit requirements resulting from the disaster.

2. Fiscal and Balance of Payments Position of Peru

The natural disasters of 1983 have come at a particularly difficult time for Peru. For much of the past decade, the size of the consolidated public sector deficit has been the principal source of the country's economic difficulties. The problem originally reached serious proportions in the mid-1970s under the military government when central government expenditures, led by high levels of consumption subsidies, ballooned and the operating deficits of the state enterprises reached alarming proportions. By 1977, the consolidated public sector deficit reached 10 percent of GDP. Subsequently, as a result of the austerity program agreed to as part of the 1978 EFF, and aided by the 1979 boom in commodity prices, the deficit was reduced to 1.7 percent of GDP and public sector saving, which had been sharply negative, reached 4.3 percent of GDP. This happy state of affairs did not last. Beginning in 1980, falling export prices sharply increased the operating deficits of the state enterprises. In addition, the new democratic government undertook a number of revenue measures designed to increase competition and improve private sector incentives. These had the unfortunate effect of further weakening the GOP's fiscal position, due in part to an unforeseen downturn in world economic activity. Thus in 1981, there was a large public sector deficit that continued to increase in 1982 due to continued depressed world-wide economic conditions.

The best current projection for 1983 is that the consolidated public sector deficit will equal approximately 6.8 percent of GDP. This result in part reflects the expected 8.3 percent reduction in GDP for 1983. The GOP has, in fact, made considerable progress in reducing public expenditures. During the first half of 1983, current expenditures of the central government declined 11.7 percent, in real terms, in relation to the

same period a year earlier. During the same period, capital expenditures were reduced by half. However, largely as a result of the disasters, current income of the central government declined by 32.1 percent.

The preceding, fairly extensive, discussion has important implications for the disaster reconstruction effort. The GOP's ability to undertake any significant expenditure program is extremely limited. Of the total requirement for repair of infrastructure estimated at approximately \$400, other external financing exists for about \$170 million. The GOP has initiated a program of compulsory purchase of "reconstruction bonds" through payroll deductions which are expected to yield an additional \$100 million. This appears to be the limit of additional resources which can be expected to be provided through (in effect) increased tax effort. Any additional financing through the domestic banking system, given overall ceilings on the expansion of credit, would be at the expense of private sector credit. As of late July, real financial system credit to the private sector had declined by 11.3 percent, at a time when weak cash flows were increasing the private sector's need for credit. There is simply no possibility of financing the remaining gap, equal to about 0.7 percent of GDP, internally. In addition, Peru's capacity for foreign borrowings has been substantially reduced over at least the next year because of the need to restructure its public and private debt.

The government's deteriorating fiscal position is closely related to the deteriorating balance of payments situation and both are, to a large extent, products of the natural disasters. The current account deficit for 1983 is actually expected to show some improvement over 1982, a necessary improvement given the chaotic state of world capital markets and Peru's limited ability to obtain external commercial financing. However, this improvement, from a deficit of \$1.4 billion in 1982 to about \$1.1 billion in 1983, has been achieved at a considerable cost and in the face of a projected \$300 million decline in export receipts. Overall, imports have declined nearly 20 percent. Given the need to import large quantities of food to replace disaster losses, the declines in imports have fallen heavily on consumer goods and industrial raw materials.

The overall balance of payments deficit now projected for 1983, about \$100 million, is probably tolerable at this point. The international reserves of the banking system stood at \$832 million as of July 22 of this year. These reserves are equal to about 3 1/2 months imports. This sum represents a much smaller margin of safety than it would appear because a substantial part of the banking system's international reserves are required to back dollar-denominated savings instruments. Nonetheless, an important subsidiary effect of the additional foreign exchange which would be made available by this project amendment would be to make available a more normal inflow of industrial raw materials and intermediate goods to offset the contraction in import flows caused by the disasters.

B. Social/Political Overview

Social conditions in Peru continue to be very sensitive, and are exacerbated by the worsening economic situation described above. The massive

downturn in economic activity has resulted in plant closings, falling retail activity, and increasing unemployment. Three major banks have failed in the last year, numerous companies have closed their doors or drastically reduced work forces, and agricultural production has declined sharply as a result of both floods and drought. Peru has been forced to renegotiate its foreign debt, inflation is approaching 130%, and devaluation of the sol has reached 100% over the last 12 months. The floods and drought have made it necessary to import sugar and rice, traditional export crops, and will probably make it necessary to import cotton next year. In summary, both economic and social conditions in Peru are deteriorating and could have serious implications for a democratic government which the U.S. supports.

The results of the disaster and the government's lack of resources to address the multitude of requirements have resulted in an increasing number of protests and a general impression that the GOP is not dealing efficiently and expeditiously with the country's problems. The Mission believes that the latter characterization, although widespread, is generally unwarranted and should be gradually dispelled as the reconstruction and rehabilitation program gains momentum. In the short run, thus, it will be important for the U.S. to support reconstruction and rehabilitation activities to the maximum extent possible, not only to build the institutional capacity of the GOP to deal with disaster reconstruction, but also for humanitarian reasons and to help the government better deal with growing discontent.

Protests had taken place periodically in the northern flood areas regarding emergency responses during the height of the floods and with regard to the availability and timeliness of the financial resources required for reconstruction and rehabilitation activities. More recently, the situation in the southern drought zones has grown more critical with two general strikes having taken place so far, and more expected. Leftist political elements have taken advantage of the discontent which is now manifest to gain support for anti-government activities. Most recently, representatives of one of the leftist political parties representing Puno in the Congress have begun a hunger strike in the Chamber of Deputies to call attention to the situation in Puno. These social and economic problems are further complicated by the difficult political problems which the terrorist activity in the central highlands contiguous to the drought zone, is causing.

Thus difficult social and political problems are likely to continue over the next year, especially in the drought area. By enhancing the GOP's organizational capabilities and by further increasing the availability of resources, the proposed Project amendment will assist the government to ameliorate these problems.

C. Food Assistance

Food assistance within the GOP's and Mission's overall disaster strategy is one of the highest priorities and the Mission has continuously assessed the food situation in disaster-affected regions through on-site visits by Mission staff and several outside advisors. USAID is concerned that the U.S. food assistance response be at an appropriate level, in terms of local nutritional needs, avoidance of waste or loss, and handling capacity of

local Voluntary Agencies' distribution infrastructure. In judging the appropriateness of our food levels, the Mission has made every effort to assess both current food stocks, particularly in the south. The key unknown in any assessment of the drought situation is rainfall--both that received and that expected. The situation to date is clear: food is needed urgently. The Mission, therefore, has programmed a major three-month emergency response by CRS/Caritas, plus smaller amounts of SAWS/OFASA and CWS/SEPAS. This food is expected to begin arriving in October. Beyond that, the months of October and November will be crucial for decision-making regarding future food needs. At that time, depending on what has happened with rainfall (and what the prospects are then for near-term rainfall), and taking into account the level of food assistance provided by other donors, the ability of the voluntary agencies to handle current volumes of food, and the ability of the local authorities to cope with other aspects of the situation, the Mission will be able to determine how much additional food aid, if any, will be needed.

In addition to U.S. actions, other donors are providing food donations and disaster relief assistance. Germany has donated 5,000 MT of wheat (1,000 MT to be used in direct feeding programs and 4,000 MT to be sold to generate local currency for related programs). Finland has sent 50 MT of powdered milk and Italy has donated 5,000 MT of rice. Canada is considering a donation of wheat and possibly canned fish to supplement school feeding programs. WFP has approved three "Quick Action Responses", mainly for the north, totalling approximately 5,500 MT and has recently approved an additional 1,800 MT to expand their regular FFW program in the South.

To date, the Mission has reprogrammed over 1,000 MT of Title II foods to the north and provided about 1,200 MT of emergency foods for the south. AID has provided over \$1,000,000 in OFDA and Mission funds to the Voluntary Agencies to strengthen their local distribution capacity, cover inland transportation costs of emergency foods, and start related FFW programs. Moreover, a significant proportion of the nearly 20,000 MT of powdered milk and butter oil donated under USDA Section 416 for the School Feeding Program will be programmed for both the southern drought area and northern flood zones. With the arrival of emergency foods, and taking into account food stocks currently in country, USAID is finally in a position to reprogram significant amounts of food to respond to emergency feeding requirements in the south.

At present, there are sufficient amounts of food in the pipeline for the next several months. Our on-site monitoring system will allow us to gauge food resources and needs in late October or early November. At that time, we plan to assess the prospects for the coming agricultural year to determine the requirements, if any, for additional emergency food. In the worst case situation, the Mission would at that point immediately divert an appropriate portion of its FY84 regular feeding program (approximately 36,000 MT) and request further emergency food supplies from FVA/FFP. FVA/FFP's plans for FY-84 should be sufficiently flexible to allow for any necessary increase to cover this contingency.

D. GOP Reconstruction Program

1. Overview

The GOP has rapidly developed and begun implementation of an ambitious \$400 million relief, rehabilitation, and reconstruction program. The program contains a detailed list of programs and projects listed by sector and department, which are now ready for execution or already begun. The plan reflects an individualized prioritization of disaster related activities for each of the affected departments, with estimates of cost for each subproject. It relies heavily on local involvement in planning and execution of the relief, rehabilitation, and reconstruction subprojects and a minimum of national level intervention. The Mission believes that the implementation arrangements which the GOP has developed give sufficient subproject planning, monitoring, and control to the national level to assure that appropriate subprojects are carried out and that adequate financial controls are maintained. In addition INADE and the INP's monitoring role will ensure that overall national priorities are considered in the allocation of resources. At the same time, these arrangements provide for the maximum amount of local involvement in both planning and execution of the subprojects.

The projects contained in the INP plan will be financed from obligatory sale of reconstruction bonds to employees in the higher income levels and concessional financing from international donors. Reconstruction bonds will only provide some \$100 million for the program and thus there is an urgent need for at least \$300 million in additional foreign financing, since it can be expected that the GOP will be hard pressed to make available the treasury resources required.

2. Other Donor Assistance

The GOP disaster relief, rehabilitation, and reconstruction program, contained in the national plan, describes initial funding requirements for the period 1983-1985 totaling nearly \$400 million. Of this amount several major international donors have identified specific portions of the program for support. The IDB has approved a \$67 million reconstruction loan package focusing on major highways and electricity. It is also reprogramming over \$80 million in current loans for water and sewer system reconstruction and investments in the agricultural sector for major irrigation works and agricultural credit. The Andean Development Corporation (CAF) has provided \$20 million to finance local cost components of reconstruction activities and imported equipment. The World Bank will soon act on a GOP request to reprogram some existing loans, mostly in the transportation sector, but is not expected to develop any type of separate reconstruction or emergency loan program. Even with the reprogramming of these loans, however, it could take as much as a year to begin disbursing these funds, due to the need to prepare final construction plans and bid documents.

Thus it is expected that about \$170 million will be provided by the IDB, CAF, and the World Bank. This leaves a critical shortfall of some \$130 million dollars which must be made available if this emergency plan is to be implemented on a timely basis.

3. AID Assistance to Date

To date USAID has committed nearly \$750,000 of OFDA disaster funds, diverted \$700,000 of PL-480 Title II resources, reprogrammed DA loans of \$1.1 million, obligated \$5.0 million under this Project, and requested an additional \$12.5 million add-on to the HG-011 project. AID has also approved adding to the country program \$10.5 million of PL 480 Title I and \$15.1 million of Title II resources. Of this \$25.6 million in Title I and Title II assistance, \$17 million will be monetized and will flow into the reconstruction fund managed by INADE to finance subproject activities.

E. Project Strategy and Rationale for Level of Funding

1. Strategy

During late 1982 and the first half of 1983 Peru suffered one of the worst natural disasters in its history. Unprecedented floods in the north combined with severe drought in the south have caused at least \$1.1 billion in damages as of July 1983. Over 1.3 million people have been directly affected by these natural calamities, which have caused extensive agricultural crop damages and have resulted in millions of dollars in lost exports and tax revenues. Roads, irrigation works, petroleum production and distribution facilities, airports, and water and sewer systems have been badly damaged over large areas. There have been major losses in the education, health, and housing sectors. Overall, nearly half a million Peruvians have either suffered damage to their homes or have entirely lost their homes.

The GOP has identified losses due to the floods and the drought at over \$1.1 billion. The GOP charged INP with the development of a rehabilitation and reconstruction plan which contains a listing of the highest priority reconstruction and rehabilitation projects. As of June 1983 the cost of this program totaled approximately \$400 million dollars, and as additional projects are identified, this amount can be expected to grow.

Peru has requested major humanitarian assistance from the U.S. and other donors to help finance the large rehabilitation and reconstruction effort that lies ahead. The GOP hopes to finance about \$170 million of the cost of this program through financing from the World Bank, CAF, and the IDB, and \$100 million from resources generated by the reconstruction bonds, leaving a critical financing gap at this time of about \$130 million. USAID Peru has proposed an overall AID Relief and Reconstruction Program that totals \$105 million. This includes PL-480 resources (\$27.5 million), emergency relief and reconstruction Grant/Loan Funds (\$65 million), and Housing Guaranty authorizations (\$12.5 million). Given the large losses caused by these natural disasters and the serious economic problems being confronted by the Peruvian economy, USAID believes that an AID funded \$105 million relief and reconstruction program as proposed in Lima 4499 represents a minimum level of USG assistance, which even at this level is below the financing gap identified at this time of \$130 million.

Given the tight financial conditions prevailing in Peru, AID funding is critical in helping to meet these additional costs. No other donor

at this time will be able to provide these funds which will have as their principal focus providing assistance to help farmers regain lost agricultural production, rebuild schools, and carry out other projects where no recoverable financing is required. The Mission therefore, proposes that \$60.0 million in additional funds be made available, for an amended Project total of \$65.0 million, to fund these activities.

2. Rationale for Funding Level

The Mission has determined for the following reasons that a minimum of \$60 million in additional funds is required to carry out the program proposed in the amended project. AID funding will be especially critical since financing provided by other donors will generally focus on larger infrastructure projects which will require four to five years to implement and involve complicated bidding documents, contracts, procurement, and construction procedures. It now appears that some of these projects may not begin their initial construction phase until late 1984 or even 1985. AID funding will be available for immediate assistance over the next two to three years to provide direction and focusing of disaster reconstruction activities and for high impact humanitarian projects. In addition, a key element of AID's assistance will be how to facilitate more rapid utilization of other donor assistance. The additional funding will accomplish the Project's primary objective of providing the means for the implementing agency to rapidly gain several years of operational experience in planning, carrying out studies, and monitoring implementation required to create the institutional base necessary to carry out these longer term other donor financed activities. Additionally it will allow the GOP to demonstrate that it is responding rapidly to the urgent needs of the affected population.

\$60 million dollars in additional funding is requested because it provides a minimum level of funding over a several year period to be implemented by the 13 disaster designated departments to accomplish the amended project's purpose of strengthening and expanding the GOP's implementing and funding mechanism. This amount represents about one-third of the cost of the subprojects identified to date, not already earmarked for funding by other donors. Thus, by financing this portion of the subprojects AID provides time to the GOP to obtain additional experience in project implementation and identify alternative sources of funding needed to complete the remainder of the program. Most importantly it brings immediate humanitarian relief to the hundreds of thousands of people affected by the disaster and can prepare the base for more rapid utilization of other donor resources.

These funds will also complement additional resources being provided under the expanded PL-480 program and the Mission's HG 011 add-on. Through the financing of major trunk water and sewer lines and electrical grid repair and reconstruction under this Project, the household connections financed under the HG add-on will have assured connection to the major systems trunk lines. The amended Project will give the technical assistance provided significant additional AID resources with which to further strengthen the institutional capacity of the GOP in project identification, implementation, and evaluation. Finally, it will allow the PVOs to carry out subprojects

which they are uniquely capable of implementing and emergency feeding activities, which will become increasingly critical in the southern drought areas over the next year.

The availability of substantial additional financing proposed in this amendment will allow the USG to make a significant contribution to the resources required for the reconstruction and humanitarian assistance effort and to have a broader impact on the GOP's ability to coordinate and implement reconstruction and rehabilitation activities, and thereby alleviate human suffering and more rapidly utilize other donor resources. Therefore, it is proposed that the \$60 million be provided and that it be provided as a grant given the difficult economic, social, and political conditions currently prevailing in Peru, and that AID funds will largely be used for replacement of investments for agricultural, transportation, communication, and social infrastructure destroyed by the natural disasters. To a large extent, especially in the northern flood areas, the infrastructure destroyed was originally financed with foreign borrowings, much of which is still being amortized. To the extent that the USG can ease this burden through the provision of reconstruction and rehabilitation funds in the form of a grant, the Mission strongly recommends that this approach be used.

IV. PROJECT DESCRIPTION

A. Goal and Purpose

The goal and purpose of the amended Project remain unchanged. The focus of the amended Project will still be to strengthen and expand the GOP's disaster relief, rehabilitation, and reconstruction implementing mechanism and reconstruction fund. This will be accomplished through the provision of additional resources to finance rapidly disbursing activities which are directly related to disaster, reconstruction, and rehabilitation activities in the flood and drought areas or are disaster related, but in other areas of the country. The focus for these additional funds, however, will not be exclusively subprojects which can be disbursed within a 12-month period. Rather a range of subprojects will be considered with the expressed intent being to finance those activities which are fastest disbursing and of highest priority.

The strengthening of the GOP's implementation and resource allocation capabilities and environmental analysis potential will continue to be a focus of the Project. Identification and contracting for technical assistance for this purpose continues to progress, and the Mission expects to have completed this process by the end of the calendar year.

B. Detailed Description

Part C of this section contains a detailed list and illustrative budget for the types of activities which have been identified for funding by the GOP and which could be financed under the additional funds provided. These projects are the result of extensive work by the DDCs which developed the plans and budgets for their respective departments. The departmental programs were further reviewed by INP with appropriate additions and deletions made as a result of the INP review process. This approved INP plan was then reviewed by the Ministry of Economy, Finance, and Commerce prior to its final approval by the Council of Ministers and the Congress. The INP plan thus contains a detailed list of subprojects developed at the local level, which have been reviewed and approved in Lima. It is based on the Corporations' detailed knowledge of the problems in the respective departments and their local planning and project review capabilities. Additionally, INP was extensively involved in the development and approval process and was, therefore, able to bring to bear its considerable planning and project development and review expertise. Finally, Mission personnel have traveled extensively to the various departments and are broadly familiar with the subprojects presented.

Thus, the Mission believes that these projects make up the universe of eligible disaster relief, reconstruction, and rehabilitation subprojects at this time from among which activities to be financed with GOP, other donor, and AID funds will be selected. The list contains an estimated financing requirement of approximately \$400 million, which exceeds the resources which AID, the IDB, the World Bank, and other donors have provided to date.

Of the \$60 million in additional funds being requested the Mission intends to make \$54 million available to the GOP for a GOP Project total of \$58 million. In addition to the projects described below, the Mission also envisions making available, within the \$58 million, approximately 1.0 million in grant funds for technical assistance and operational support to the disaster related housing activities to be financed through HG-011 add-on, and

\$600,000 in grant funds for direct health related projects to be implemented by the Ministry of Health. These funds would form part of the bilateral project agreement, but would be made available directly by the Mission to the Housing Bank and Ministry of Health. In addition to the \$54 million to be provided to the GOP under the amendment, up to \$6.0 million additional funds (for Project total of up to \$7.0 million) would be provided to the PVOs. These funds would be made available directly to each PVO for carrying out priority activities in the disaster areas.

C. Detailed Project List

The following is an illustration list of funding requirements by sector and departments as listed in the INP prepared plan:

<u>SECTOR</u>	<u>1983 - 1985</u>	
	(S/.Billion)	(\$Millions)
Agriculture	166.2	
Transport and Communications	315.4	
Fishing	2.6	
Electricity	21.3	
Housing	79.9	
Health	3.1	
Education	10.9	
Industry	3.8	
Hydrocarbons	178.5	
Others	<u>.9</u>	
Total	782.6	400
	*****	***

DEPARTMENT

<u>Floods:</u>	<u>702.7</u>	<u>359.3</u>
Tumbes	90.4	
Piura	431.9	
Lambayeque	80.9	
La Libertad	16.1	
Ancash	21.0	
Cajamarca	11.9	
Lima	50.5	
<u>Drought</u>	<u>79.9</u>	<u>40.7</u>
Arequipa	8.6	
Apurimac	5.9	
Cuzco	8.1	
Puno	40.7	
Moquegua	10.6	
Tacna	<u>6.0</u>	
Total	782.6	400
	*****	***

The following illustrative list contains the subprojects approved by the GOP for funding at this time under the GOP disaster reconstruction plan. Those subprojects for which other foreign financing has been identified have been deleted from the list for the purposes of this paper. The amended Project will fund subprojects from this list and others which the GOP proposes to the Mission which meet the disaster Project criteria.

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
1. <u>Department of Tumbes</u>		
<u>Agriculture</u>		
Rehabilitation of refrigerated Storage facilities		
Channelling and diking of Tumbes river-city of Tumbes and adjacent agricultural areas.	3,000	
<u>Transport and Communication</u>		
Parina and Quebrada Honda bridges	300	
Six bridges on the PanAmerican Highway at Pedregal, Carpitás, Cancas, Cordelitos Viejo, and Buen Viaje	750	
Rural roads in Tumbes	<u>3,000</u>	
<u>Urban Reconstruction</u>		
Final studies for rehabilitation of potable water and sewage systems in the cities of Tumbes, Corsales, La Cruz, Zorritos, Zarumilla, and San Jacinto	180	
Final studies for disposal of rain water in the cities of Tumbes, Zarumilla, and Zorritos	50	
Disposal of rain waters	1,500	
Rehabilitation of streets and sidewalks - City of Tumbes	1,800	
Other rehabilitation works: markets, slaughterhouses, and other public buildings affected by the floods - various localities	800	
<u>Health</u>		
Rehabilitation of one hospital, 4 health centers, and 2 health posts in the cities of Tumbes, Zarumilla, Zorritos, and Campos	250	
<u>Education</u>		
Repair of schools in Comandante Villar, Tumbes, and Zarumilla	1,400	
Replacement of school furniture and equipment-Tumbes	670	
	<u>S/.14,200</u>	<u>\$10.4</u>

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
2. <u>Department of Piura</u>		
<u>Agriculture</u>		
Piura - San Lorenzo Irrigation district: canal and tunnel	3,500	
Reinforcement & repair of river dikes in the Piura valley and in the city of Piura	1,000	
Drainage reconstruction - Cieneguilla	255	
Reforestation program 200 ha.	200	
Refrigerated storage - Piura	250	
<u>Transport & Communication</u>		
Talara-Sullana road repair - 52 km.	7,530	
Sullana-Piura road repair - 34 km.	6,970	
Catacaos-Morrope road repair - 200 km.	11,550	
Piura-Paita road repair - 46 km.	17,430	
Piura-Naupe road repair - 110 km.	13,270	
Repair of the Emp. R-1 Huancabamba road - 146 km.	3,000	
Repair of Sullana-La Tina road - 120 km.	3,850	
Repair of Independencia, Saman and Santa Ana bridges	3,010	
Repair of Charonal and Debora bridges	640	
Repair of Sullana and Nacara bridges	2,780	
Repair and reconstruction of 8 secondary roads	33,000	
Repair of telecommunication works	2,440	
<u>Urban Reconstruction</u>		
Final study of rehabilitation of potable water and sewage systems in the cities of Piura, Talara, Sullana, Morropon, and Paita	360	
Final study of disposal of rain waters in the cities of Piura, Castilla, Catacaos, Sullana, Paita, Chulucanas, and Talara	220	
Disposal of rain waters in the cities of Piura, Castilla, Sullana, Catacaos, Paita, Chulucanas, and Talara	6,780	

	<u>Millions of Soles</u>	<u>Millions Of Dollars</u>
Rehabilitation of streets and sidewalks in the cities of Piura, Talara, Sullana, Morropon	17,400	
Repair of markets and other public service structures in various localities	6,850	
<u>Health</u>		
Reconstruction of 3 hospitals, and 15 health centers	750	
<u>Education</u>		
Reconstruction of 360 schools	3,800	
Repair of schools in the city of Piura	220	
Replacement of furniture and equipment in 360 schools	740	
	<u>S/.147,795</u>	<u>\$107.2</u>

3. Department of Lambayeque

<u>Agriculture</u>		
Channelling of La Leche River at Huaca La Cruz	1,500	
Final studies of 4 km. river dikes and channeling of 20 km. river bed	3,750	
Aforestation and pasture management in the Department of Lambayeque	120	
Implementation of control stations in water districts	120	
Study and execution of integrated project for water storage and distribution at Huaca de la Cruz	1,900	
Rehabilitation of refrigerated storehouses - Chiclayo	250	
<u>Transport & Communication</u>		
Chiclayo-Chepen road repair	3,900	
Naupe-Lambayeque road repair	13,160	
Chiclayo-Cumbil road repair	800	
Repair of Chaman-Anchavera bridges	2,000	
Other bridge repair	170	
Repair of 265 km of Departamental roads	13,700	
Repair of telecommunication works	670	

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
<u>Electricity</u>		
Final studies for repair of electrical systems in Chiclayo and Illimo	650	
Transmission systems repair in Illimo and Mocupe	1,895	
Repair of distribution networks in various areas of the department-76 substations and 31 km of transmission lines	4,876	
<u>Urban Reconstruction</u>		
Final studies for repair of potable water and sewage systems in the cities of Chiclayo, Lambayeque, Zaña, and Mosefú	51	
Final study of disposal of rain waters-same cities	30	
Disposal of rain waters	1,000	
Rehabilitation of streets and sidewalks in 12 cities	2,700	
<u>Health</u>		
Repair of 11 health centers and 25 sanitary posts	370	
<u>Education</u>		
Repair of 376 classrooms	1,400	
Replacement of school furniture and equipment for 376 classrooms	320	
	s/. 55,332	<u>\$29.0</u>

4. Department of La Libertad

Agriculture

Diking of rivers in Jequetepeque, Chicama, Moche, and Viru valleys	2,800
Rehabilitation of irrigation systems and infrastructure - Chicama and Moche river valleys	4,500

Transport & Communication

Chepen-Trujillo road repair	2,780
Trujillo-Pallar bridge road repair	1,230
Sacsacocho-Cajabamba road repair	210
Repair of Cerrochilca and other bridges	150

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
Repair of 4 bridges	2,420	
Repair of 4 departamental roads	2,000	
 <u>Electricity</u>		
Repair of primary distribution network in Trujillo	41	
 <u>Urban Reconstruction</u>		
Rehabilitation of potable water and sewage systems in Pacasmayo, San Pedro, Guadalupe, Chepen, Puerto Chicama, Chocope, Moche, and Viru	800	
Rehabilitation of streets and sidewalks in the same cities	240	
 <u>Health</u>		
Repair buildings and infrastructure in one hospital, 3 health centers, and 5 sanitary posts	80	
 <u>Education</u>		
Repair of buildings and infrastructure for 200 schools	400	
Replacement of school furniture and equipment	100	
	s/. <u>17,750</u>	<u>\$9.1</u>

5. Department of Ancash

<u>Agriculture</u>		
Channelling of Lacramarca River	2,000	
Channelling of Casma and Sechin rivers	1,500	
Channelling of Huarney and Culebras rivers	600	
 <u>Transport & Communication</u>		
Chimbote-Pativilca road repair	4,200	
Casma-Huaraz road repair	3,480	
Culebras y Chimbote bridges construction	460	
Yantan bridge construction	240	
Departmental roads repair	500	

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
<u>Electricity</u>		
Rehabilitation of 14 km of transmission lines in Chimbote	1,119	
Repair of 125 km of primary and secondary distribution lines in Chimbote	352	
Repair of Cañón del Pato hydroelectric station	73	
<u>Urban Reconstruction</u>		
Repair of potable water and sewage systems in the city of Chimbote	250	
Repair of streets and sidewalks in the city of Chimbote	900	
<u>Health</u>		
Repair of 3 hospitals 13 health centers, 14 sanitary posts located in Santa, Casma, Recuay, Chiquian, and Yungay	365	
<u>Education</u>		
Repair of 20 schools and educational	300	
	s/ 16,339	<u>\$8.3</u>

6. Department of Cajamarca

Agriculture

Repair of irrigation infrastructure in the Cities of Chilete, Cajabamba, Jaen, and Chota	1,400
Reinforcement and maintenance of river dikes	650

Transport and Communication

Yonán Bridge-Cajamarca road repair	2,850
Cajamarca-Bolsas road repair	760
Chamaya-San Ignacio road repair	3,980
Cumbil bridge repair	540
Yanan bridge repair	320
Casablanca bridge repair	80

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
<u>Health</u>		
Repair of buildings in 8 health centers and 13 sanitarian posts in Cajamarca, Contumazá, Cajabamba, San Miguel, Celendín, Chota, and Cutervo	30	
<u>Education</u>		
Repair of 19 schools in Cajamarca, San Marcos, Contumazá, San Miguel, and Celendin	60	
	s/. 10,670	<u>\$5.4</u>
7. <u>Department of Lima</u>		
<u>Transport & Communication</u>		
Matucana-San Mateo road repair	5,450	
Central Railroad	9,770	
Huanca-Sayan-Oyon road repair	860	
Lima-Canta-La Viuda road repair	1,890	
Canete-Yauyos road repair	3,150	
<u>Urban Reconstruction</u>		
Rehabilitation of potable water and sewage systems in Huarochiri	150	
Rehabilitation of streets and sidewalks in Huarochiri	300	
<u>Education</u>		
Repair of building infrastructure of 160 classrooms in Huarochiri	400	
Replacement of furniture and equipment in Huarochiri	60	
	s/. 22,030	<u>\$11.3</u>
8. <u>Department of Arequipa</u>		
<u>Agriculture</u>		
Repair of irrigation systems in the provinces of Arequipa, Caylloma, Castilla, Condesuyos, La Union, and Caraveli	2,490	
Small irrigation system projects - Los Españoles and Cochendo	4,080	

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
Construction of watering troughs and animal bathing facilities	95	
<u>Transport & Communication</u>		
Repair of bridges at Acomayo and Chalhuanca rivers	80	
Reconstruction of Lluto bridge	30	
Cabanaconde-Tapay road repair	100	
Chichos-Chuca road repair	200	
Tisco-CataCata road repair	50	
Catahuasi-Pampamarca road repair	100	
Cuyoc bridge repair	30	
Siqui-Salamanca road repair	200	
Iquipi-Piuca road repair	200	
Operacc and Arma bridges repair	70	
Machaguay-Andagua road repair	200	
Tipay-Ambranza road repair	50	
Capiza-Unon road repair	100	
Chupacra bridge repair	50	
Andagua-Ayo road repair	30	
Chachahuiri-Chachas road repair	50	
Cabanoconde-Chahas road repair	100	
<u>Health</u>		
Rural potable water system in Chilcaymarca, Machaguay, Ianaquihua, Callalli, and Viracos	175	
<u>Education</u>		
Construction of 2 classrooms in Orcopampa, and 1 in Pampamarca	100	
	s/. 8,580	<u>\$4.4</u>

9. Department of Apurimac

<u>Agriculture</u>		
Construction of 350 wells and 350 drinking troughs	400	
Construction of 10 grain silos and 3 potato silos	150	
Construction of 23 animal bathing facilities	800	
Agriculture inputs program	150	
Support to development of rural settlements - various districts	540	

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
Repair of terraces - various districts	120	
Balanced feed plant - Abancay	75	
Installation of small milk plants in Abancay, Andahuaylas, Talanera, and San Jeronimo	200	
<u>Transport & Communication</u>		
Construction of 30 km and improvement of 150 km of rural roads	450	
	s/. <u>2,885</u>	<u>\$1.5</u>
10. <u>Department of Cuzco</u>		
<u>Agriculture</u>		
Construction of 10 animal bathing places and 10 Silos	170	
Construction of 8 100 t silos	350	
Planting of 855 ha of improved pastures	231	
Protection of 7,900 cattle, 31,400 sheep, and 5,700 alpacas	423	
Development of 2,800 ha of agricultural class land	250	
Aforestation and reforestation programs in Canchis, Espinar, and Chumbivilcas	149	
Technical assistance to 5,000 farmers	886	
Construction of 150 wells and 20 animal drinking troughs	210	
Development of 103 gardens and 40 farms	225	
	s/ <u>2,894</u>	<u>\$1.5</u>
11. <u>Department of Puno</u>		
<u>Agriculture</u>		
Repair and improvement of 11 irrigation intake structures, 13 reservoirs, 1 pumping station, 128 km. of canals, and 27 km. of irrigation systems	3,400	
Repair of 22 animal bathing facilities and 80 silos	627	

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
Pasture improvement - 1,500 ha.	13,357	
<u>Transport & Communication</u>		
Repair of 8 bridges and 20 kms of roads	1,400	
Repair of 441 km of roads	7,810	
<u>Health</u>		
Construction of 8 Mother-Child Care Centers	140	
Construction of 280 septic tanks and 2,200 letrines	210	
<u>Education</u>		
Construction of 400 school rooms	875	
	s/. <u>27,819</u>	<u>\$14.2</u>

12. Department of Moquegua

Agriculture

Supply of 50 tn of potato seed, 30 tn of corn seed and 20 Tn of other cereal seed	70
Implementation of trial seed plots	600
Aforestation and reforestation of 500 ha	150
Construction of 15 animal drinking troughs	45
Supply of agricultural inputs - 500 tn of fertilizer and seeds	130
Small irrigation programs 300 ha	300
Hydraulic studies-Carumas, Omati, Piquina, and Ubinos Valleys	280

Transport & Communication

Construction of 500 km. of rural roads	2,150
Construction of 40 km. of Coralaque-Ichuna road	1,200
Repair of 42 km. of Carumas -Chilligua road	1,320
	s/. <u>6,245</u>

\$3.2

	<u>Millions of Soles</u>	<u>Millions of Dollars</u>
13. <u>Department of Tacna</u>		
<u>Agriculture</u>		
Construction of 3 storage buildings for agricultural products and inputs	300	
Construction of 15 silos	150	
Aforestation and reforestation program for 300 ha	100	
Construction and implementation of cattle drinking troughs	150	
Expansion of balanced feed plant-Tacna	220	
Operation and maintenance of 10 wells	450	
Drilling and supply of equipment for 7 wells	950	
	s/. 2,320	<u>\$1.2</u>
14. Participation in other donor infrastructure reconstruction projects	1,531	30.0
15. <u>Materials Bank</u>		
Operational support and technical assistance	2,000	1.0
16. <u>Ministry of Health</u>		
Purchase of emergency medicines, nutrition monitoring, vaccines, and basic health equipment	1,200	.6
Grand Total	324,691	193.9

D. Detailed Budget ^{1/}

	Grant	A. I. D. Loan	Total	GOP Total	Project Total
I. Technical Assistance and Operational Support	<u>4,000</u>	<u>3,950</u>	<u>7,950</u>	<u>1,000</u>	<u>8,950</u>
A. Technical Assistance	<u>4,000</u>	<u>2,000</u>	<u>6,000</u>		<u>6,000</u>
Short-term	420		420		420
Long-term	3,080		3,080		3,080
Consulting Firms	500	2,000	2,500		2,500
B. Operating Support Personnel, Vehicles, Office equipment & others		<u>1,950</u>	<u>1,950</u>	<u>1,000</u>	<u>2,950</u>
II. Disaster Relief and Rehabilitation Subprojects	<u>20,000</u>	<u>30,050</u>	<u>50,050</u>	<u>21,000</u>	<u>71,050</u>
A. Subprojects	<u>18,400</u>	<u>30,050</u>	<u>48,450</u>	<u>21,000</u>	<u>69,450</u>
B. Min. of Health	600		600		600
C. Materials Bank	<u>1,000</u>		<u>1,000</u>		<u>1,000</u>
III. Operating Support for PVOs	<u>7,000</u>		<u>7,000</u>		<u>7,000</u>
A. CARE	<u>3,500</u>		<u>3,500</u>		<u>3,500</u>
B. CRS	<u>2,000</u>		<u>2,000</u>		<u>2,000</u>
C. OFASA/SEPAS	500		500		500
D. FFW Materials	200		200		200
E. Food Transport	<u>800</u>		<u>800</u>		<u>800</u>
Project Total	<u>31,000</u>	<u>34,000</u>	<u>65,000</u>	<u>22,000</u>	<u>87,000</u>

1/ This total budget includes the \$3.0 million in loan funds and \$2.0 million in grant funds obligated in FY 83, under the original Project Agreement.

V. IMPLEMENTATION ARRANGEMENTS

A. Administrative Arrangements

No changes in the administrative arrangements outlined in the original PP will be necessary to implement the activities proposed under this amendment. The GOP entities charged with carrying out the disaster relief effort -- INADE and the DDCs -- are adequately staffed and have begun the implementation of disaster-related subprojects. USAID has two staff members working fulltime on this project and is actively working to bring the planned technical assistance on board as soon as possible. Since we expect that currently available funding for this project will be fully committed by September 30, the additional funding could begin to be used immediately upon the signing of the amendment. Approved plans with cost estimates have already been developed for the subprojects identified in each department. Therefore, no delays will be incurred in subproject identification and preparation.

1. GOP Implementing Agency

The Mission does not anticipate that the additional resources to be made available will necessitate any changes at this time in the GOP implementation arrangements described in the original PP. The current GOP procedures focus on local project identification and implementation with assistance by national level agencies, rather than relying exclusively on implementation by central ministries. These implementation arrangements were established to carry out the government's \$400 million rehabilitation and reconstruction program, which the AID funds will assist in financing. These procedures continue to be appropriate and to date have not shown any problems which might affect future project implementation.

2. USAID

USAID has moved forward with the Project implementation arrangements described in the original PP. Although the Mission's preferred implementation mode of an additional direct-hire employee was not possible, the Mission was able to contract with an experienced former AID finance officer who will head up the DRRR Division in the Development Resources Office. The Chief of the DRR will work under the close supervision of the Chief of the Development Resources Office. He is expected to arrive by late October to take up his responsibilities. In the meantime, the Mission has made the chief of the Engineering Division the acting chief of the DRRR Division and has provided one finance officer to assist him on an interim basis. The Chief of the Development Resources Office and the Mission's Deputy Director have also been heavily involved in supervision of the initial implementation of this Project.

The Mission has also made contact with the IQC firm who will provide assistance to the GOP and the Mission in identifying and evaluating potential contractors for the nine technical assistance positions to be funded under the Project. A PIO/T for these IQC services has been issued by the Mission, which provides completion of the process for identification and evaluation of these contractors by early December. The Mission anticipates that the GOP will then request that AID contract directly with these individuals who would arrive in country in January 1984.

To date, approximately \$4.0 million of the original \$5.0 million in obligated Project loan and grant funds have been committed. The Mission anticipates being able to substantially commit the additional \$60.0 million requested over the next 12 months. This is based on the large number of Projects which the GOP has identified for financing, the experienced project staff which they have been able to mobilize at the national level, the proven capability of the DDCs' staff at the local level, and the high priority which the GOP attaches to rapid implementation of these activities. Therefore, the Mission does not anticipate problems with commitment of funds or the implementation capability of INADE or the DDCs over the three year project life. In addition, the Mission and the GOP will be assisted by nine-long term contractors as well as two Mission PSC employees. Finally, the Project includes funding for operations support and additional local and foreign consultants to assure efficient Project monitoring and implementation.

B. Disbursement and Procurement Procedures

No changes in the disbursement and procurement procedures discussed in the original PP are anticipated.

C. Authorization, Conditions, and Covenants

Amendment Number One to the Project Authorization has already been executed and forwarded to AID/W. The proposed Amendment will be Amendment No. Two, and will be authorized by AID/W.

The only Condition Precedent to the initial disbursement of the funds provided by this Amendment will be the requirement that the GOP submit a legal opinion.

D. Negotiating Status

The Mission has been working in close coordination with the GOP, which has been alerted to the possibility of additional funding. The Mission will make every attempt to sign the amended Project Agreement this fiscal year. This will depend on timely receipt by the Mission of the amended authorization, the allotment of funds, and confirmation of the expiration of the Congressional Notification waiting period.

E. I.E.E. Amendment

The I.E.E. undertaken for the original project recommended a negative determination. This I.E.E. remains valid for the project amendment since the list of potential subprojects has not changed, and since each subproject will be reviewed for any possible negative environmental impacts prior to USAID approval. An amended I.E.E. with revised funding amounts is attached.

F. 611(e) Certification

The Mission Director has signed a 611(e) Certification for the amended project.

VI. ISSUES

Guidance contained in State 227854 was helpful in preparation of this amendment. There are several specific issues raised which are dealt with in this section. The remaining points are discussed in other sections of the amendment.

A. Funding Level

As discussed in part III of this paper the Mission has determined that a minimum of \$60 million in additional funds is required to carry out the program proposed in the amended Project the reasons for this decision are:

1) \$60 million in additional funding is required in order to provide a minimum level of funding over a several year period to be implemented by the 13 disaster designated departments to accomplish the amended Project's purpose of strengthening and expanding the GOP's implementing and funding mechanism. This amount represents about one third of the cost of the subprojects identified to date and not earmarked for funding over the next two year period. Thus, by financing this portion of the subprojects AID provides time to the GOP to obtain additional experience in project implementation to identify alternative sources of funding needed to complete the remainder of the program, and most importantly it brings immediate humanitarian relief to the hundreds of thousands of people affected by the disaster.

2) AID funding will be available for immediate assistance over the next two to three years, while other donor financing, because of the larger nature of the subprojects to be financed and the correspondingly more complicated bidding and contracting procedures, will not be available until years two or three and beyond.

3) It is proposed that the \$60 million requested be provided as a grant given the difficult economic, social, and political conditions currently prevailing in Peru; and that AID funds will largely be used for replacement of investments for agricultural, transportation, communication, and social infrastructure destroyed by the natural disasters.

B. Equipment Maintenance/Force Account vs. Contracting

Peru's experience in maintaining AID-financed equipment has been satisfactory. The Mission has incorporated maintenance activities and funding for spare parts in its projects. There is no evidence to indicate that "AID-financed equipment is littering the roads of Peru, and in fact AID funded equipment has been well maintained and utilized. As with our other projects, the Mission does anticipate the need to procure equipment for use by the DDCs in the direct implementation of sub-projects. While the Mission anticipates use of contractors to carry out some construction activities, we also anticipate a need to utilize force account in many cases. The World Bank and IDB are expected to tie up major construction contractors in the implementation of their reconstruction activities which involves reconstruction of the Panamerican Highway, other major roads and airports. Second, due to the relative small size, and in the case of Puno projects, the remote location of the construction activities, it may be difficult to

identify reliable contractors able and willing to undertake the required work at a reasonable cost and within a reasonable time frame. The Mission therefore anticipates that many of the subprojects to be presented will be carried out by the Departmental Development Corporation by force account. The DDCs are currently increasing their staffs, principally through the use of contracts, to obtain the necessary construction, supervisory, maintenance, and administrative talent to implement the reconstruction program. The DRRR project contains funding for local consultants, which will assist the DDCs in adequately managing their activities. The Mission, therefore, anticipates use of force account and the direct purchase of equipment where necessary to be utilized by the DDCs in project implementation.

C. Deobligation

The Mission has reviewed its portfolio and concludes that there are no deobligations which can be made at this time.



JSAID LIMA
MAIL ROOM

7 SET. 1983

RECEIVED

Instituto Nacional de Desarrollo

Lima, 06 SET. 1983

OFICIO Nº 135 -83-INADE-J

Señor
JOHN A. SANBRAILO
Director de la Agencia de
Desarrollo Internacional
Presente

Estimado señor Sanbrailo:

Me es grato dirigirme la presente con relación a los programas bilaterales de los Gobiernos de los Estados Unidos de Norte América y el Perú, para la rehabilitación y reconstrucción de las zonas del país afectadas por los recientes desastres naturales.

Sobre el particular, desearía solicitar que - la AID dé consideración a una ampliación del financiamiento en apoyo del referido programa de rehabilitación, hasta por un monto adicional de Sesenta Millones de Dólares de los EE.UU. El financiamiento solicitado - constituiría una ampliación del Proyecto de AID Nº 527-0277/527-W-082 - que se concretó a través del Convenio de fecha 20 de Julio de 1983. Los fondos adicionales serían primordialmente utilizados para la ejecución - de sub-proyectos de rehabilitación y reconstrucción, en conformidad con los procedimientos establecidos para el referido Proyecto.

Desearíamos también solicitarle que dentro del financiamiento adicional requerido, se asigne la mayor cantidad posible al componente "donación" y que el componente "préstamo" sea concedido en los términos más favorables que pueda otorgar el Gobierno de los EE.UU. para proyectos de rehabilitación de desastres.

Al agradecerle su atención a la presente solicitud, desearíamos también reiterarle nuestro reconocimiento por la amplia colaboración que el Gobierno de los EE.UU. viene brindando a través de la AID, en apoyo de los programas de emergencia y rehabilitación del Gobierno del Perú.

Atentamente,

Juan de Medalengoitia Alva
Instituto Nacional de Desarrollo

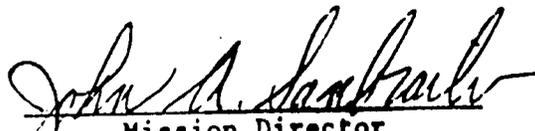
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PROJECT AUTHORIZATION
(Amendment No. 2)

Name of Country: Peru
Name of Project: Disaster Relief and Rehabilitation Project
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, the Disaster Relief and Rehabilitation project for Peru was authorized July 20, 1983. The authorization is hereby amended by deleting in paragraph 1, "Six Million United States Dollars (\$6,000,000) in grant funds" and substituting in lieu thereof "Eight Million Three Hundred One Thousand United States Dollars (\$8,301,000) in grant funds".

2. The authorization cited above remains in force except as hereby amended.


Mission Director


Date

Clearances:

DD:GHill: (in draft)
CD:EKadunc: (in draft)
PROG:RMAushammer: (in draft)
CONT:MRogal: (in draft)

Drafted by: SLRATGeiger.pdc

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 taking 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 amended Project: DISASTER, RELIEF, REHABILITATION, and RECONSTRUCTION.

Sept. 10, 1983
Date

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

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

LAC/DR-IEE-83-46

ENVIRONMENTAL THRESHOLD DECISION AMENDMENT

Project Location : Peru

Project Title and Number : Disaster Relief and Rehabilitation
Amendment number 1
527-0277

Funding : \$34,000,000 (L), 31,000,000 (G)

Life of Project : two years

IEE Amendment Prepared by : Mary F. Likar, USAID/Lima

Recommended Threshold Decision : Negative Determination

Bureau Threshold Decision : Concur with Recommendation

Copy to : John Sanbrailo, Director
USAID/Lima

Copy to : Mary F. Likar, USAID/Lima

Copy to : Douglas Chiriboga, LAC/DR

Copy to : IEE File

James S. Hester Date 13 Sept. 1983
James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

(Amended)

Project Location:

Peru

Project Title and Number:

Disaster Relief, Rehabilitation
and Reconstruction
Project No. 527-0277

Funding:

FY 1983

FY 1984

G - \$31,000,000 L - \$34,000,000
G - \$15,300,000 L - \$26,100,000
G - \$15,700,000 L - \$ 7,900,000

Amended IEE Prepared by:

Mary F. Likar
Finance Officer

Date Prepared:

September 1983.

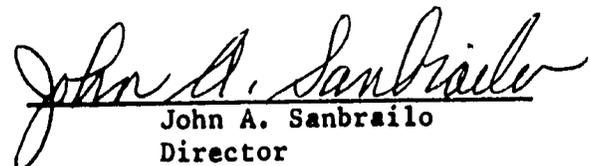
Environmental Action Recommended

USAID/Peru has reviewed the complete Initial Environmental Examination (IEE) of the project's environmental impacts prepared for the original project. The Mission concludes that the recommendation for a Negative Determination as indicated in the Threshold Decision Section of the IEE, is valid for the amended project, since the list of potential subprojects has not changed and since each subproject will be reviewed individually to identify any possible negative impacts prior to USAID approval.

Concurrence:

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

Sept. 10, 1983
DATE


John A. Sanbrailo
Director

PROJECT AUTHORIZATION
(Amendment No. 1)

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

1. Pursuant to Sections 106 and 492(b) of the Foreign Assistance Act of 1961, as amended, the Disaster Relief and Rehabilitation project of Peru was authorized July 20, 1983. The authorization is hereby amended as follows:

a. In paragraph 1, delete the phrase, "Four Million United States Dollars (\$4,000,000) in grant funds" and substitute in lieu thereof, "Six Million United States Dollars (\$6,000,000) in grant funds".

b. In the first sentence of paragraph 3, delete the phrase, "Project Agreement" and substitute in lieu thereof, "Agreements".

c. In the first sentence of paragraph 3 between the words "which" and "may", add the following phrase, "may be entered with the Republic of Peru as well as with private voluntary organizations and".

d. In subparagraph 3a, delete the phrase, "Cooperating Country" wherever it appears and substitute in lieu thereof, "Republic of Peru".

2. The authorization cited above remains in force except as hereby amended.


Mission Director

8/31/83
Date

Clearances:

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

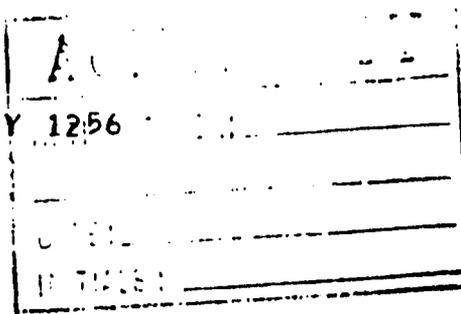
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DE RUEHC #7854 2240641
ZNF UUUUU ZZH
P 120507Z AUG 83
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY 1256
BT
UNCLAS STATE 227854

UNCLASSIFIED ACTION AID 2

INFO AMB DCM ECON CHR



AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: DISASTER RELIEF AND REHABILITATION PP AMENDMENT

THE EXPECTED DOLS. 40 MILLION OR SO THAT PERU WILL GET AS A RESULT OF THE SPECIAL DEOB-REOB AUTHORITY PROVIDED IN THE FY 83 SUPPLEMENTAL APPROPRIATION SHOULD BE OBLIGATED AS AN AMENDMENT TO THE RECENTLY APPROVED DISASTER RELIEF AND REHABILITATION PROJECT. THESE FUNDS WOULD BE USED TO FULLY FUND THE PROJECT, I.E. IT WOULD COVER THE DOLS. 5.0 MILLION REMAINING TO BE OBLIGATED UNDER THE PRESENT DOLS. 10.0 MILLION AUTHORIZATION, WHICH OTHERWISE WOULD HAVE TO HAVE BEEN FINANCED FROM PERU'S FY 84 OYB.

2. THE ADMINISTRATOR WILL AUTHORIZE THE AMENDMENT ON THE BASIS OF A CABLE REQUEST FROM THE MISSION AND A DAEC REVIEW. THE MISSION'S CABLE SHOULD PROVIDE A PROPOSED LOAN/GRANT SPLIT WITH JUSTIFICATION, AND MODIFICATIONS AS NECESSARY IN THE IMPLEMENTATION AND MONITORING ARRANGEMENTS, SCHEDULES AND ILLUSTRATIVE SUB-PROJECTS CONTAINED IN THE PROJECT PAPER.

3. THE CRITERIA FOR SUBPROJECTS CONTAINED IN THE PP SHOULD REMAIN THE SAME AND RELIEF AND REHABILITATION EFFORTS SHOULD HAVE PRIORITY OVER NEW CONSTRUCTION (WITH

RESTORATION OF TRANSPORTATION AMONG THE HIGHEST PRIORITIES). RAPID DISBURSEMENT OF SUBPROJECT FUNDS SHOULD BE A PRIMARY OBJECTIVE. HOWEVER WE RECOGNIZE THAT THE SIX TO TWELVE MONTH SUBPROJECT COMPLETION TARGET REQUESTED IN THE ORIGINAL PID GUIDANCE CABLE WOULD NOT BE REALISTIC FOR THE EXPANDED PROJECT. THE REVISED GUIDANCE THEREFORE IS THAT THE PACD OF JUNE 30, 1986 BE MAINTAINED THAT ALL SUBPROJECT FUNDS BE COMMITTED BY THE END OF THE FIRST YEAR AND THAT THE MAJORITY OF SUBPROJECT FUNDS BE DISBURSED BY THE END OF FY 1984. WHILE RAPID DISBURSEMENT AND PROGRESS IN RELIEF AND REHABILITATION ARE ESSENTIAL, WE WISH TO REITERATE THE IMPORTANCE OF ADEQUATE SUPERVISION, EVALUATION AND AUDITING.

4. WE ARE CONCERNED ABOUT THE GOP'S POOR RECORD REGARDING MAINTENANCE OF HEAVY VEHICLES AND ROAD CONSTRUCTION EQUIPMENT. SUCH EQUIPMENT SHOULD NOT BE PURCHASED FOR TH

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USAID
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ACTION: DRR (FILS)

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GDP UNDER THE PROJECT IF LOCAL CONTRACTORS CAN PROVIDE THE SERVICE. CONTRACTING SHOULD BE THE PREFERRED MODE FOR RECONSTRUCTION OVER FORCE ACCOUNT, AND IF EQUIPMENT IS NOT AVAILABLE IN THE COUNTRY, GDP PROCURED EQUIPMENT SHOULD, WHERE POSSIBLE, BE LENT TO CONTRACTORS TO ACCOMPLISH RECONSTRUCTION WORK, WITH AN APPROPRIATE REDUCTION IN CONTRACT COSTS. WE CANNOT BE IN THE POSITION OF HAVING BROKEN DOWN A.I.D.-FINANCED EQUIPMENT LITTERING THE ROADS OF PERU.

5. WITH REGARD TO SUBPROJECT ACTIVITIES IN THE DROUGHT AREAS, THE PP INCLUDES WELLS AND IRRIGATION CONSTRUCTION. THE MISSION SHOULD EXAMINE VERY CAREFULLY THE ECONOMIC FEASIBILITY OF THESE ACTIVITIES. FOR AREAS SUFFERING FROM A LACK OF POTABLE WATER BUT WHICH HAVE ADEQUATE POTABLE WATER DURING NORMAL TIMES, FOR EXAMPLE, PROVIDING THE GDP WITH THE CAPACITY TO TRANSPORT AND/OR PURIFY WATER MAY BE MORE ECONOMICAL AND PROVIDE MORE IMMEDIATE RELIEF THAN A PROGRAM OF WELL CONSTRUCTION. SIMILARLY, IRRIGATION CONSTRUCTION, UNLESS IT CAN BE CARRIED OUT VERY RAPIDLY, WILL HAVE LITTLE IMPACT ON FOOD SUPPLIES DURING THE CRITICAL NEAR TERM, AND, IF DURING NORMAL TIMES SPECIFIC IRRIGATION PROJECTS WOULD NOT BE ECONOMICALLY FEASIBLE, THEN THE PRESENT DROUGHT CONDITIONS ARE UNLIKELY TO BE SUFFICIENT CAUSE FOR IMPLEMENTING THEM. FURTHERMORE, THE MISSION SHOULD ENSURE THAT SUBPROJECTS RESPOND TO THE CONCERNS OF THE RESIDENTS OF THE DROUGHT AREAS.

6. THE MISSION SHOULD ALSO ADVISE WHETHER ANY FUNDS IN THE PERU PIPELINE CAN BE DEOBLIGATED AND REOBLIGATED FOR THE DISASTER RELIEF AND REHABILITATION PROJECT. SHULTZ

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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.

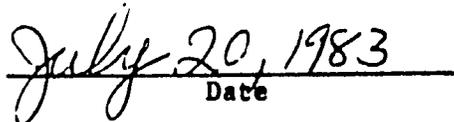
c. Source and Origin of Commodities, Nationality of Services (Grant)

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:EKadunc: (in draft)

Drafted by: Geiger:pdg

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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.

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