

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERU

PLAN OF OPERATIONS

**OLMOS PROJECT FOR IRRIGATION WATER
PIPING AND DISTRIBUTION WORKS**

(PE-T1026)

This document was prepared by the project team consisting of: L. Victor Traverso (RE3/EN3), Project Team Leader; Leonardo Corral, Ricardo Vargas, Geoffrey Cannock, and Fernando Bretas (RE3/EN3); Gerónimo Frigerio (LEG/OPR); Joseph Milewski (COF/CPE); Alejandro Seminario (consultant); and Giovanna Mahfouz (RE3/EN3), who assisted in document production.

CONTENTS

EXECUTIVE SUMMARY

| | | |
|-------|--|----|
| I. | FRAME OF REFERENCE AND RATIONALE | 1 |
| II. | THE PROJECT | 3 |
| | A. Objectives and description..... | 3 |
| | B. Components..... | 3 |
| III. | COST AND FINANCING | 5 |
| | A. Cost..... | 5 |
| | B. Financing..... | 5 |
| IV. | PROJECT EXECUTION..... | 6 |
| | A. Executing agency | 6 |
| | B. Project execution and management..... | 6 |
| | C. Project readiness..... | 7 |
| | D. Execution period and disbursement timetable | 7 |
| | E. Procurement..... | 7 |
| V. | MONITORING AND EVALUATION..... | 7 |
| VI. | BENEFITS AND RISKS..... | 8 |
| VII. | ENVIRONMENTAL AND SOCIAL REVIEW | 9 |
| VIII. | CERTIFICATION | 10 |

ANNEXES

- Annex I Project Map
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=802188>
- Annex II Procurement Plan

APPENDICES

Proposed resolution

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

INFORMATION AVAILABLE IN THE RE3/EN3 TECHNICAL FILES

Preparation:

1. Feasibility Study of the Olmos Hydroelectric and Irrigation Complex (Tecnopromexport, 1979)
2. Final Design Study of the Olmos Hydroelectric and Irrigation Complex (Tecnopromexport, 1982)
3. Update on Stage II of the Olmos Project – Prefeasibility Study (DEPOLTI, 1997)
4. Consulting Engagement for the Olmos Project – Alto Piura (S&Z Consultores Asociados, 1997)
5. Final Report on the Economic and Financial Assessment of the Olmos Project (Paribas, 1999)
6. Technical Evaluation of the Olmos Project (Paribas, 1999)
7. Brief Description of the Olmos Project
8. Economic Assessment Update Study for the Olmos Project (Olmos-Tinajones Special Project (PEOT), 14 October 2004)

Execution:

9. Terms of Reference (Annexes 1-5)
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=801833>
10. Itemized Budget
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=839322>

ABBREVIATIONS

| | |
|--------|---|
| EIA | Environmental impact assessment |
| GRL | Regional Government of Lambayeque |
| INRENA | National Institute of Natural Resources |
| MEF | Ministry of Finance |
| PEOT | Proyecto Especial Olmos Tinajones [Olmos-Tinajones Special Project] |
| PPP | Public-private partnerships |
| UNDP | United Nations Development Programme |

OLMOS PROJECT FOR IRRIGATION WATER PIPING AND DISTRIBUTION WORKS

(PE-T1026)

EXECUTIVE SUMMARY

| | | |
|---|---|---------------------|
| Beneficiary: | Republic of Peru. | |
| Executing agency: | ProInversión. | |
| Beneficiaries: | The project target watershed community and the Regional Government of Lambayeque (GRL). | |
| Financing: | IDB (JSF): | US\$1,280,000 |
| | Local: | <u>US\$ 645,000</u> |
| | Total: | US\$1,925,000 |
| Objectives: | The purpose of this technical-cooperation project is to prepare the feasibility and related studies for the Olmos project for irrigation water piping and distribution works. These studies will pave the way for concessioning via public-private partnerships (PPP) to build and operate the Olmos irrigation project, and the sale of 35,000 hectares developed through irrigation for agricultural export production. | |
| Terms: | Execution period: | 9 months |
| | Disbursement period | 12 months |
| Special contractual clauses: | None. | |
| Exceptions to Bank policy: | None. | |
| Environmental and social review: | The Committee on Environment and Social Impact (CESI) reviewed the technical cooperation profile at meeting 01-06 of 1 January 2006, and the plan of operations at meeting 36-06 of 15 September 2006. Its observations have been incorporated into this document (see paragraph 7.1). | |

| | |
|--|---|
| Benefits: | The proposed technical-cooperation project will make the investment project viable, which in turn will generate a series of benefits to the agricultural export sector. The estimated annual export contribution is US\$200 million, with 23,000 jobs created directly during operation (see paragraph 6.1) |
| Coordination with other agencies: | This technical-cooperation operation was prepared in coordination with the Andean Development Corporation (CAF). A close working relationship with it is expected to continue, since the CAF is financing the water transfer works for the Olmos Integrated Project. |

I. FRAME OF REFERENCE AND RATIONALE

- 1.1 In the early twentieth century, Peruvian technical specialists conceived the idea of transferring waters from the Amazon River basin, specifically the Huancabamba River, to irrigate the Olmos grasslands, considered the most fertile on the Peruvian coast. Building on that idea, in 1924 Charles Sutton worked out the key issues involved in the transfer of waters through a trans-Andean tunnel for a multivalley irrigation project. In the 1940s and 1950s, the vision was expanded to include the project's hydroelectric potential, and preliminary feasibility studies were done between 1964 and 1966.
- 1.2 The Olmos Integrated Project works are located in the departments of Cajamarca and Lambayeque, some 850 kilometers from Lima in the far northwest corner of Peru (see project technical file 9).
- 1.3 The Olmos Integrated Project involves building a hydroelectric and irrigation complex to harness an annual volume of 2,050 million cubic meters of water that would be transferred to the Pacific watershed from the Huancabamba River and others in the Amazon basin. The studies estimated the generation capacity of the Olmos hydroelectric and irrigation project at 4,000 gigawatt-hours, in addition to irrigating some 150,000 hectares of high-quality land that currently goes underexploited because it is in an area where water is always scarce.
- 1.4 The Olmos Integrated Project works are in three different categories:
 - a. Water transfer works.
 - b. Hydroelectric generation works.
 - c. Irrigation water piping and distribution works.
- 1.5 The Olmos Integrated Project, with a total investment of approximately US\$1.752 billion, will be executed in two stages over a period of fourteen years. The Olmos-Tinajones Special Project (PEOT) is the institution responsible for the execution, maintenance and operation of the Olmos Integrated Project. The National Government transferred the PEOT project to the Regional Government of Lambayeque in July 2003 as part of a decentralization process.
- 1.6 **Stage I** is divided into two phases. Phase 1 involves conventional transfer works for the waters of the Huancabamba River and the development of their initial exploitation for hydroelectric generation and irrigation. The conventional water transfer works include: (i) Limón Reservoir, inlet works; spillway, diversion tunnel, and purge system; (ii) trans-Andean tunnel; and (iii) other works, including those for environmental protection and the relocation of a segment of the Nor-Peruano pipeline. A timing regulator or switch and part of the Hydroelectric Plant 1 are among the initial investments directly related to the generation of electricity. In

terms of agriculture, phase 1 involves the Olmos hydraulic infrastructure (called the Olmos hydraulic system) and piping and distribution works for agricultural use, involving primary and secondary pipes, land development, and pressurized irrigation systems. The economic internal rate of return (EIRR) of the Olmos project, estimated at the prefeasibility stage, is 21%.

- 1.7 Phase 2 involves conventional water supply works that would divert additional water from the Tabaconas and Manchara Rivers to the Huancabamba River (Tabaconas hydraulic system). On the energy side, it involves the completion of Hydroelectric Plant 1 and Hydroelectric Plant 2 in its entirety. Additional works related to agricultural development include primary and secondary pipes, land development, and pressurized irrigation systems, as well as gravity irrigation works.
- 1.8 Water storage infrastructure, consisting primarily of an impoundment and regulation reservoir in the Limón area and a water transfer structure (a 19.3 kilometer-long trans-Andean tunnel) for a total cost of approximately US\$242 million, is currently under construction and is funded partially by the Andean Development Corporation (CAF) through a loan to the concession holder and another to the Government of Peru, for a total of US\$127 million.
- 1.9 **Stage II** involves new water supply works drawing on the Chunchuca and/or Chotano Rivers, as well as investments to expand the agricultural area using pressurized and gravity irrigation systems and to increase the electricity generated by Hydroelectric Plants 1 and 2.
- 1.10 The studies to be funded by the proposed project will apply to Stage I, Phase 1 (obviously excluding the water transfer works concessions already awarded and those with their own studies). Nevertheless, these studies will also be valuable for the next phase, as they will cover institutional aspects of water management and the social inclusion of the affected rural sector. The studies supported by this technical-cooperation operation will make investments viable to develop 35,000 more hectares of land for agricultural production within the Olmos project area and improve conditions for the irrigation of 10,000 hectares currently underutilized in the Olmos Valley (Cascajal).
- 1.11 Specifically, the proposed technical cooperation project would fund the feasibility and private participation studies under the Irrigation Water Piping and Distribution Works component described above for the building, operation, maintenance and management of the Olmos irrigation project. It will also fund studies on: (i) institutional aspects of water management; and (ii) social inclusion and participation issues relating to farmers in the project target area.
- 1.12 In the current economic environment and context of fiscal constraint, the Government of Peru has made a new strategy for private participation in infrastructure projects that employs innovative structures to attract private

investment to new sectors. These new short- and medium-term private participation projects will be executed as public-private partnerships (PPP), even though there is still potential in other sectors for other types of privatizations and concessions. The Olmos Integrated Project and the Olmos Irrigation Water Piping and Distribution Works “subproject” are part of this strategy and are innovative PPP projects, insofar as they would be the first irrigation and drainage project concessions in Peru, laying the groundwork and serving as models for future operations.

II. THE PROJECT

A. Objectives and description

- 2.1 The purpose of this technical-cooperation project is to prepare the feasibility and related studies for the Olmos project for irrigation water piping and distribution works. These studies will pave the way for concessioning via public-private partnerships (PPP) to build and operate the Olmos irrigation project, and the sale of 35,000 hectares developed through irrigation for agricultural export production. Eventually, this technical-cooperation project will help to improve the quality of life of valley residents in the project target area, who will benefit from: (i) the incorporation of new areas into the Olmos irrigation project; and (ii) planned improvements to existing irrigation systems in Cascajal and Olmos. It is expected that project implementation will improve farm productivity and competitiveness, particularly for exports.

B. Components

- 2.2 The proposed technical-cooperation project has the following components: (i) feasibility studies; (ii) master plan for the Olmos Integrated Project watersheds; (iii) development of the institutional framework for watershed management; (iv) environmental studies; (v) lessons learned; and (vi) investment banking. Terms of reference are available for consultation in project technical file 9.
- 2.3 **Feasibility studies** for the concession of large-scale irrigation infrastructure: determine the best alternative for creating an irrigation water impoundment, regulation, piping and distribution system for the Olmos project land, using waters transferred from the Huancabamba, Tabaconas and Manchara Rivers. The feasibility studies will address technical, economic, financial, legal, environmental and social issues.
- 2.4 **Integrated management plan (IMP)** for the Olmos Integrated Project watersheds (Cascajal, Olmos, Motupe, La Leche). Preparation of the IMP will include studies and actions for: (i) current agricultural development in the Olmos project target area; (ii) alternatives for a productive relationship between small land owners and large-scale agriculture; (iii) guidelines for land-use planning in the project target

area, and corresponding land-use regulations; (iv) needs identification for the public goods necessary for rural development; (v) a socioeconomic and environmental assessment of the project target area, including development projects in execution and in the planning phase; (vi) a plan for communication with and participation of stakeholders in the project target area; and (vii) a multiyear investment plan with ranked priorities.

- 2.5 **Institutional framework for watershed management within the project target area.** This component will support the following studies: (i) assessment of the legal and institutional framework for water resource management; (ii) proposed institutional model for watershed management in keeping with the overarching vision agreed upon with stakeholders and the population; and (iii) preparation, at the feasibility level, of the instruments needed to implement the model during execution of the investment project. These studies must be done in close coordination with the National Institute of Natural Resources (INRENA). The integrated management plan and the institutional model must be compatible with national and sector-specific frameworks for water resource management. The project also addresses the institutional framework for the irrigation system, which must be compatible with the agreements under the PSP contract for the concession and sale of land.
- 2.6 **Environmental assessments.** The component will support: (i) due diligence review of the environmental and social impact assessments done in 1999-2000 and the environmental studies for the water transfer works; (ii) an environmental impact assessment of the large-scale irrigation system and irrigated lands; and (iii) preparation of the environmental and social management plan at the feasibility level, including the monitoring plan with baseline and the respective indicators, itemized budget, and implementation timeline and responsibilities.
- 2.7 **Lessons learned.** Studies will be financed on local and international experiences with the incorporation of private agricultural investment into state assets: (i) economic and social impact of land privatization; and (ii) its effect on rural development. Experience gained from other successful activities in the Peruvian agricultural sector will also be evaluated for applicability to the project design.
- 2.8 **Investment banking.** Consulting services will cover consulting on all concession processes for the irrigation system and the sale of lands, up through the negotiation, award and execution of the respective contracts. The investment bank will prepare the bidding documents for the Olmos irrigation system concession and the sale of new lands made available by the Olmos project, as well as the draft concession contract for the irrigation system and model contracts for land purchases. The consulting firm will prepare these documents on the basis of market requirements and in close coordination with ProInversión and the Regional Government of Lambayeque (GRL).

III. COST AND FINANCING

A. Cost

- 3.1 The total cost of this technical cooperation project will be US\$1.9 million, as shown in Table 1 below and in project technical file 10.

B. Financing

- 3.2 The total cost of this technical cooperation project will be US\$1.9 million. The Japanese Special Fund (JSF) will provide US\$1.28 million of that amount, and the remainder will be funded by the Government of Peru, through ProInversión, and by the Regional Government of Lambayeque (GRL), through the Olmos-Tinajones Special Project (PEOT). In no event will the local counterpart contribution be less than US\$300,000.
- 3.3 The local counterpart contribution is ensured by the financial strength of ProInversión, a financially autonomous entity responsible for managing two funds: the concession fund and the privatization fund. The first is funded by a variable percentage of up to 2% of concession revenue, and the second receives a 2% fixed percentage of privatization revenue. In addition to this are the preparation expenditures, which are reimbursed by the concession winner in variable proportions.

Table 1. Cost and Financing (US\$)

| Component | Bank (JSF) | Local | Cost (US\$) |
|--|------------------|----------------|------------------|
| 1. Feasibility study for the concession of large-scale irrigation infrastructure | 907,990 | 77,250 | 85,240 |
| 2. Master plan and national institutional framework for the Olmos Integrated Project watersheds (Cascajal, Olmos, Motupe, La Leche) for the irrigation system and communication and awareness plan | 150,000 | 39,000 | 189,000 |
| 3. Update of environmental impact assessment and environmental and social management plan | 108,520 | 70,000 | 178,520 |
| 4. Lessons learned | 50,000 | | 50,000 |
| 5. Investment banking | 13,490 | 436,000 | 449,490 |
| 6. UNDP management fee | | 20,000 | 20,000 |
| 7. Contingencies | 50,000 | 2,750 | 52,750 |
| Total Amount | 1,280,000 | 645,000 | 1,925,000 |

IV. PROJECT EXECUTION

A. Executing agency

- 4.1 The executing agency will be ProInversión, the authority that sets policy for private participation in infrastructure and prepares, promotes and awards projects with private-sector participation. Once the relevant studies had been done, ProInversión's board of directors adopted a resolution adding the request to the private investment promotion plan, and has begun the process of preparing the competitive bidding documents. ProInversión will be responsible for overall administration, promotion of the project to its beneficiaries, and project execution and supervision.
- 4.2 ProInversión seeks to: (i) promote private investment at the national level and the decentralized level; (ii) make it a top priority to promote investments that contribute to rising employment, national competitiveness and exports, while reconciling national, regional and local interests; and (iii) promote a culture that encourages private investment as an engine of economic growth and social development. At the regional or local level, the regional or municipal governments can promote investment projects within their jurisdiction, though they may receive technical assistance from ProInversión for project promotion and preparation. The ProInversión board of directors is composed of seven sector ministers and chaired by the Presiding Minister of the Cabinet.

B. Project execution and management

- 4.3 In compliance with current law, ProInversión and the Regional Government of Lambayeque entered into an interagency cooperation agreement on 8 March 2003,¹ under which the parties committed to jointly organize and promote the concessioning process for the Olmos project within their respective jurisdictions. With this agreement and funding for the corresponding studies (under this proposed technical-cooperation project), ProInversión has a mandate to do the studies and meet the responsibilities that this entails.
- 4.4 ProInversión's normal mechanism and institutional arrangements will be used for execution of the proposed technical-cooperation project. The project director of the Special Committee to Promote Private Investment in Infrastructure and Public Utility Projects will identify priorities, evaluate proposals, and provide technical supervision for the studies, with support from specially formed interagency working groups. Within each working group, project directors will report to the ProInversión committees set up for each process. In this case ProInversión will have an agency

¹ The agreement was ratified by ProInversión's board of directors at its 12 March 2003 meeting, and by the Regional Council of Lambayeque pursuant to Regional Order 021-2003-GR.LAMB/CR of 13 May 2003.

relationship with the Regional Government of Lambayeque as owner of the works, and a working committee already exists for the Olmos Integrated Project.

- 4.5 ProInversión will contract the United Nations Development Programme (UNDP) to coordinate service procurement for the Program. The management fee that UNDP charges for these services will be paid out of local counterpart resources. The executing agency will enter into an agreement with UNDP in which it agrees to follow Bank selection and contracting procedures and adhere to the “Coordination and Cooperation Agreement” signed by UNDP and the Bank on 14 November 1990, as amended by agreement of 20 June 2003.

C. Project readiness

- 4.6 The prefeasibility studies were done in 1979 and refined in 1981-1983. The result was an irrigation and hydroelectric project design based on intensive and maximized use of the available water resources, to be executed as a public works project. The proposed technical-cooperation operation will build on those studies and pursue private-sector participation through a public-private partnership (PPP). The terms of reference are ready and have been agreed upon by the executing agency and working group. The executing agency has indicated that it is close to beginning the competitive bidding process for the studies.

D. Execution period and disbursement timetable

- 4.7 The maximum execution period for the technical-cooperation operation will be 9 months, running from the signature date of the service delivery contract. The disbursement period will be 12 months.

E. Procurement

- 4.8 Consulting services will be procured in accordance with applicable Bank policies, rules and procedures (document GN-2350-7). The eligible technical-cooperation expenditures will be consulting studies and related costs. A consulting firm will perform all tasks described in the terms of reference for the feasibility study as well as investment banking² (see Annex II, Procurement Plan).

V. MONITORING AND EVALUATION

- 5.1 **Monitoring.** ProInversión will deliver consultant reports to the Bank. For the initial report, interim reports and the draft final report, ProInversión will hold a project review workshop attended by the Bank project team, consultants, ProInversión and directors of the Olmos-Tinajones Special Project (PEOT). The Peruvian Ministry of

² Some feasibility studies for the irrigation project contained in this plan of operations could be considered at reduced amounts, and bidded separately.

Finance (MEF) and Ministry of Agriculture (MINAG) will also participate in the workshop.

- 5.2 **Supervision.** ProInversión will supervise the studies with these main responsibilities: (i) supervise performance of the study; (ii) review monthly progress reports on the studies, and ensure they are in line with the terms of reference and that appropriate data sources are used; and (iii) provide remarks and observations on the progress reports, as appropriate. PEOT will support supervision. Given the execution timetable of the technical-cooperation operation and investment project, the Bank will conduct supervision based on the delivery deadlines for the technical-cooperation reports.
- 5.3 **Reports.** The content and delivery deadlines for consultant reports will be as follows:
- a. The initial report will include an execution plan incorporating any changes to the plan submitted with consultant's service proposal that may have been agreed upon in the contract negotiation phase, as well as any adjustments to the original execution timetable, without extending the delivery deadline for the studies.
 - b. Monthly reports will describe study progress and provide timely notice of any difficulties that could affect their proper completion.
 - c. Interim reports on the study must be consistent with the study execution plan included in the initial report.
 - d. The final report with its executive summary will serve as the basis for final review and acceptance.

VI. BENEFITS AND RISKS

- 6.1 **Benefits and beneficiaries.** The proposed technical-cooperation operation will make the investment project viable, which in turn will produce a series of benefits to the agricultural export sector. These will include more than US\$500 million in capital investments: US\$200 million in agriculture (US\$40,000 in phase 1), US\$50 million in agroindustry, and US\$280 million in real estate investments. Furthermore, there is an estimated annual contribution to exports of US\$200 million. An estimated 23,000 direct jobs are expected to be created during project execution. ProInversión has also identified collateral impacts stemming from the Olmos project, such as the potential to build productive relationships between small- and medium-scale farmers in nearby valleys, a critical mass to enable the rest of the region to quicken the pace of exports, and related industries such as transportation, equipment, packaging, food, and others. Likewise, the Olmos project should contribute to a culture of efficient water use.

- 6.2 **Risks.** The main risk associated with this operation is that, once the studies are complete, no private builder/operator can be found for the public-private partnership to execute and operate the Olmos irrigation water piping and distribution project. Structuring the project with safeguards to improve the risk profile will be essential. This, in turn, depends on the continuation of investment climate policies the Government of Peru may provide for private investors interested in the project, and the findings of the studies to be funded by the technical-cooperation operation. The Bank will monitor the study findings closely to ensure that the technical-cooperation operation supports the project's success.

VII. ENVIRONMENTAL AND SOCIAL REVIEW

- 7.1 The Committee on Environment and Social Impact (CESI) reviewed the technical-cooperation profile at meeting 01-06 of 1 January 2006 and asked the project team to provide the terms of reference for preparation of the environmental impact assessment (EIA), including the due diligence review of socioenvironmental aspects of the project. These TORs are provided in an annex to the Plan of Operations. It was emphasized at the CESI meeting that the activities to be funded by this technical-cooperation project will have no environmental or social impact, although implementation of the studies would do so. Furthermore, to ensure the environmental and sociocultural sustainability of the activities to be conducted in the Olmos project watersheds, the technical-cooperation operation will fund: (i) an environmental and sociocultural review of existing studies and their adherence to Bank policies and procedures; (ii) preparation of the EIA of the works relating to adding new areas to the Olmos irrigation project; (iii) the consensus-based definition, in conjunction with the population and stakeholders, of an institutional model for management of project area watersheds, and design of the instruments necessary to implement it; and (iv) preparation, at the feasibility level, of the actions necessary to prepare and implement an integrated management plan for these watersheds, identifying multiyear activities.
- 7.2 An environmental impact assessment of the water transfer works for the Olmos project was already done in 1999-2000, including the Olmos River and the irrigation project target areas. An EIA has also been done of the works for the transfer of waters from the Huancabamba River to the Olmos River basin. These studies have been approved by the National Institute of Natural Resources (INRENA). CESI stated at meeting 36-06 of 15 September 2006 that the project team had adequately incorporated its recommendations.

VIII. CERTIFICATION

- 8.1 I certify that resources from the Japanese Special Trust Fund (JSF) are available for up to US\$1,280,000 in order to finance the activities described and budgeted in this TC Plan Of Operations. The commitment and disbursements of these resources shall be made only by the Bank in U.S. dollars. The same currency shall be used to stipulate the remuneration and payments to consultants; except for local consultants working in their own borrowing member country which shall have their remuneration defined and paid in the currency of that country. No resources of the Fund shall be made available to cover amounts greater than the amount certified hereinabove for the implementation of this TC Plan of Operations. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Goro Mutsuura, RE2/FSS

Date

PERU
OLMOS PROJECT FOR IRRIGATION WATER PIPING AND DISTRIBUTION WORKS
(PE-T1026)

PROCUREMENT PLAN

I. GENERAL

1. Information on the project

| Financial Terms and Conditions | | |
|---------------------------------------|-----------------------|------------|
| Executing agency: ProInversión | | |
| Source | Amount in US\$ | % |
| IDB (JSF) | 1,280,000 | 66 |
| Local | 645,000 | 34 |
| Total | 1,925,000 | 100 |

- 2. Date of Bank approval of procurement plan:** September 2006
- 3. Date of specific procurement notice:** October 2006
- 4. Period covered by the procurement plan:** 12 months

II. SELECTION OF CONSULTANTS

- 1. Threshold amounts for prior review:** The selection and contracting of consultants will be subject to prior review by the Bank, in accordance with Appendix I to the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-6).

| | Selection method | Prior review threshold | Comments |
|----|--|-------------------------------|-------------------------|
| 1. | Competitive selection process with international publicity (firms) | US\$200,000 | (UNDB and Bank website) |

2. Consulting contracts with selection methods and timelines

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------|-----------------------------|------------------------------|---|---------------------------------|---|
| Ref. no. | Contract description | Estimated cost (US\$) | Selection method | Bank review (prior/post) | Scheduled submission date for offers |
| I. | Consulting firm | 1,900,000 | Quality and cost-based selection (QCBS) | Prior | November 2006 |

PERU
OLMOS PROJECT FOR IRRIGATION WATER PIPING AND DISTRIBUTION WORKS
(PE-T1026)
ITEMIZED BUDGET

| Budget Line | Bank (JSF) | Local counterpart contribution | Total |
|---|------------------|--------------------------------|------------------|
| 1. Component 1. Profile study. Prefeasibility and feasibility | 907,990 | 77,250 | 985,240 |
| 2. Component 2. Institutional framework for watershed management and watershed management plan¹ | 150,000 | 39,000 | 189,000 |
| 2.1 Subcomponent: Institutional framework for watershed management | 85,000 | 15,000 | 100,000 |
| 2.2 Subcomponent: Watershed management plan | 65,000 | 24,000 | 89,000 |
| 3. Component 3. Update of environmental impact assessment | 108,520 | 70,000 | 178,520 |
| 4. Component 4. Study on lessons learned | 50,000 | | 50,000 |
| 5. Component 5. Investment banking for Olmos project | 13,490 | 436,000 | 449,490 |
| 6. UNDP | | 20,000 | 20,000 |
| 7. Contingencies | 50,000 | 2,240 | 52,240 |
| TOTAL | 1,280,000 | 645,000 | 1,925,000 |

¹ Includes the communication and awareness plan under both subcomponents.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/06

Peru. Nonreimbursable Technical Cooperation ATN/JF-____-PE
Olmos Project for Irrigation Water Piping and Distribution Works

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Japan Special Fund, to enter into such agreements as may be necessary with the Republic of Peru, and to take such measures as may be pertinent for the execution of the plan of operations referred to in document AT-____ with respect to nonreimbursable technical cooperation to support the Olmos project for irrigation water piping and distribution works.
2. That up to the sum of US\$1,280,000 is authorized for the purposes of this resolution, chargeable to the resources of the Japan Special Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

LEGIII/PE-814970-06
PE-T1026