

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERU

**DEVELOPMENT OF A NEW SUSTAINABLE ENERGY MATRIX,
PROGRAM I**

(PE-L1061)

LOAN PROPOSAL

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Electronic Links Required	
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Means of verification matrix	http://idbdocs.iadb.org/WSDocs/getdocument.aspx?docnum=1667783
Program results framework	http://idbdocs.iadb.org/WSDocs/getdocument.aspx?docnum=1667785
Environmental strategy	http://idbdocs.iadb.org/WSDocs/getdocument.aspx?docnum=1667787
Macroeconomic assessment	http://idbdocs.iadb.org/WSDocs/getdocument.aspx?docnum=1667792

Other References	
Information available in the technical files	http://idbdocs.iadb.org/WSDocs/getdocument.aspx?docnum=1715383

ABBREVIATIONS

Bpd	Barrels per day
DGAEE	Dirección General de Asuntos Ambientales Energéticos [Energy and Environmental Affairs Division]
DGAES	Dirección General de Asuntos Económicos y Sociales [Economic and Social Affairs Directorate]
DGE	Dirección General de Electricidad [Electricity Directorate]
DGER	Dirección General de Electrificación Rural [Rural Electrification Directorate]
DGH	Dirección General de Hidrocarburos [Hydrocarbon Directorate]
DGPA	Dirección General de Promoción Agrícola [Agricultural Promotion Directorate]
DGPM	Dirección General de Programación Multianual [Multiyear Programming Directorate]
DNPP	Dirección Nacional del Presupuesto Público [National Budget Directorate]
IMA	Independent macroeconomic assessment
IMF	International Monetary Fund
INGEMMET	Instituto Geológico Minero y Metalúrgico [Mining and Metallurgy Geological Institute]
LCF	Local Currency Facility
LIBOR	London Interbank Offered Rate
MEF	Ministerio de Economía y Finanzas [Ministry of Economy and Finance]
MEM	Ministry of Energy and Mines
MINAG	Ministry of Agriculture
MINAM	Ministry of the Environment
MPL	Maximum permissible limit
MW	Megawatts
NRES	Nontraditional renewable energy sources
NSEM	New Sustainable Energy Matrix
OGGS	Oficina General de Gestión Social [Social Management Office]
OGPP	Oficina General de Planificación y Presupuesto [Planning and Budget Office]
OLADE	Latin American Energy Organization
OSINERGMIN	Organismo Supervisor de la Inversión en Energía y Minería [Investment Regulatory Agency for Energy and Mines]
PIP	Public investment project
PROBIOCOM	Programa de Promoción del Uso del Biocombustible [Program to Promote the Use of Biofuel]
PROINVERSION	Agencia de Promoción de la Inversión Privada [Private Investment Promotion Agency]

SEA	Strategic Environmental Assessment
SECCI	Sustainable Energy and Climate Change Initiative
TBPD	Thousands of barrels per day
Tcf	Trillion cubic feet
VME	Vice Ministry of Energy

PROJECT SUMMARY

PERU

DEVELOPMENT OF A NEW SUSTAINABLE ENERGY MATRIX, PROGRAM I (PE-L1061)

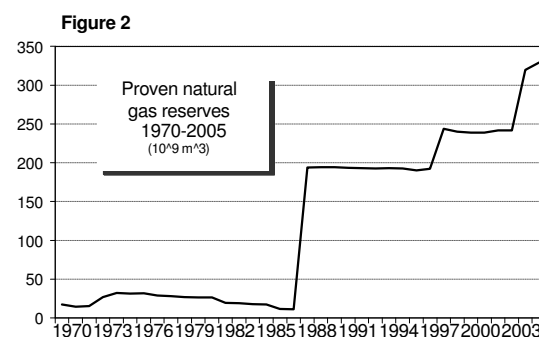
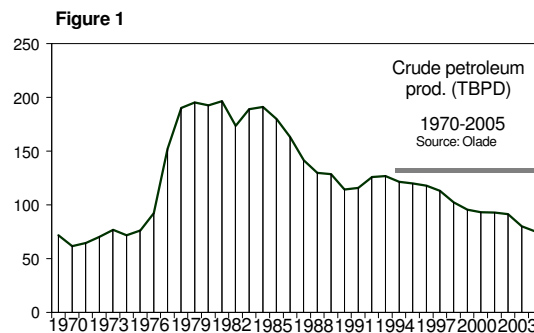
Financial Terms and Conditions				
Borrower: Republic of Peru			Amortization period:	20 years
Executing agency: Ministry of Economy and Finance (MEF)			Grace period:	5 years
Source	Amount	%	Disbursement period:	12 months
IDB (Ordinary Capital):	US\$150,000,000	100	Interest rate:	LIBOR
Local	0	0	Inspection and supervision fee:	*
Other cofinancing	0	0	Credit fee:	*
Total	US\$150,000,000	100	Currency:	U.S. dollars from the Single Currency Facility
			Option for conversion to nuevos soles:	Local Currency Facility
Project at a glance				
Project objective: The program intends to support the development of a new sustainable energy matrix that is based on a comprehensive approach to technical, economic, environmental, and social considerations and is consistent with Peru’s development objectives, in order to maximize the benefit derived from energy resources in a sustainable manner.				
Special contractual clauses: Disbursements will be subject to fulfillment of the policy reform measures specified in Chapter I, Section B, and in Annex I (Policy Matrix) (see paragraphs 1.23, 1.24, and 1.31).				
Exceptions to Bank policies: None.				
Project consistent with country strategy: Yes [X] No []				
Project qualifies as: SEQ [] PTI [] Sector [] Geographic [] Headcount []				
Procurement: Not applicable, since this is a policy-based lending program.				
Verified by CESI on: 13 June 2008.				

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

1.1 **Background.** Peru is experiencing its most significant period of economic expansion since the middle of the last century.¹ Growth rates averaged 5.7% from 2002 to 2006 and 9% in 2007, the highest rate since 1994, in a context of significant macroeconomic stability (see paragraph 1.8). Meanwhile, the country went from being a petroleum exporter to a net importer after 1995, with a drop in its production of crude from nearly 200,000 barrels per day (bpd) in 1980 to less than 100,000 bpd in 2000 (Figure 1). In order to recover, Peru has implemented a consistent policy of opening the sector to exploration. This led to a change in revenue collection from its hydrocarbon resource base, which went from a scenario of scarcity to one of abundance in terms of both petroleum and gas reserves (Figure 2).



- 1.2 Peru expects to be self-sufficient in hydrocarbons and even to become a net exporter again, with 13.4 trillion cubic feet (Tcf)² of proven gas reserves in 2007, with the incorporation of reserves from the Camisea Gas Fields in Lower Urubamba. Peru LNG, a liquefied natural gas exporter, expects to commence operations in 2010. These developments unfolded in a favorable international context and under a legal and contractual framework appropriate for exploration and development of reserves, as reflected in the large number of signed contracts.³
- 1.3 In 2007, Peru's electricity sector had 5,152 megawatts (MW) of real power and a peak demand of 3,965 MW. The 10% increase in demand over 2006 reduced the reserve capacity to 1,187 MW. At the current pace of demand growth, sustained expansion of power generation will be needed during the next few years. Natural gas plays a dominant role in this growth horizon, based to a large extent on the pricing policy that governs its sale, and, accordingly, the future of this resource

¹ IDB Country Strategy with Peru 2007-2011.

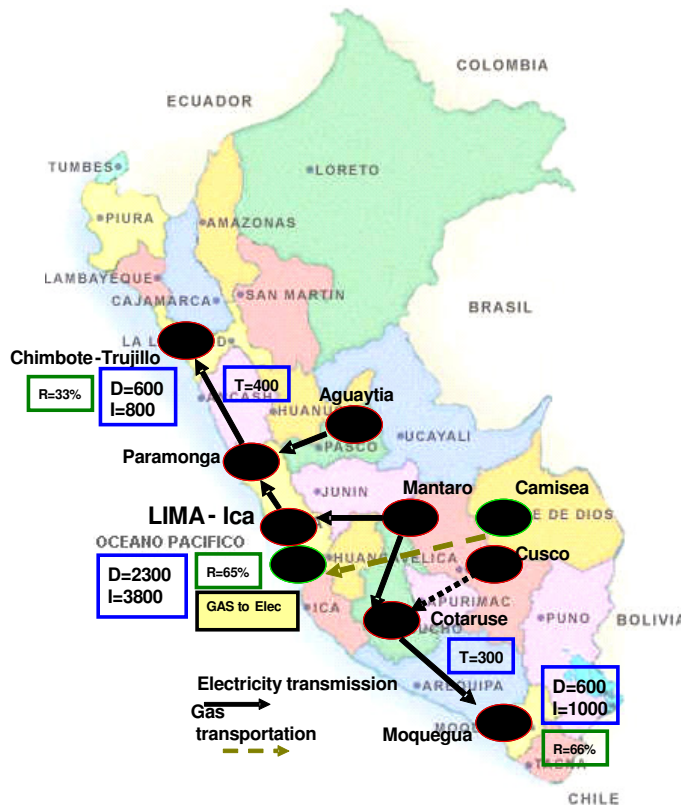
² The figure of 13.4 Tcf refers only to lots 88 and 56. Ministry of Energy and Mines (MEM), 2007 (http://www.minem.gob.pe/archivos/dgh/publicaciones/reservas_gas_2007.pdf).

³ There were 15 new exploration and development contracts in 2005, 16 in 2006, and 18 were signed in 2007. PERUPETRO, 2007 (<http://www.perupetro.com.pe/noticiasdes-s.asp?id=127>).

must be analyzed together with the growth of the electrical system. The availability of gas from Camisea, on the central coast, is spurring the development of new generating plants on the outskirts of Lima, and this is making it necessary to expand part of the existing gas pipeline, and hence transmission lines, in order to supply the system to the north and south. The following diagram illustrates the scenario using 2007 data.⁴

Figure 3: Simplified diagram of current electricity transmission and natural gas transportation

D: Demand (MW) I: Installed capacity (MW)
R: Reserve (%) T: Transmission capacity (MW)



- 1.4 If this diagram does not change, then by 2015 a possible scenario would require transport capacity to the north be expanded by 1,000 MW and to the south by 800 MW. In this scenario, consumption in the north and the south would be

⁴ This information is based on the document, “Expansión del Sector Eléctrico y Gas Natural en el Perú – Evaluación Preliminar de los Transportes de Energía” [Expansion of the Electricity and Natural Gas Sector in Peru—Preliminary Evaluation of Energy Transportation], Organismo Supervisor de la Inversión en Energía y Minería [Investment Regulatory Agency for Energy and Mines] (OSINERGMIN), August 2007. The values included in the figures are for reference purposes.

supplied by generation from Lima which, from a local perspective, would fall short in both energy and reserve machinery, with a resulting loss in system stability and supply security in those regions.

- 1.5 Peru also interests investors in nontraditional renewable energy sources (NRES) (wind power, hydroelectric miniplants, geothermal energy) and in large-scale hydroelectric generation, which has highly promising potential. Peru has taken steps to incorporate renewable energy sources and biofuels, although legal, institutional, financial, technological and technical capacity barriers still remain and are hampering these developments.⁵
- 1.6 In the environmental area, the Government of Peru has taken important decisions, including the creation of the Ministry of the Environment (MINAM), which, together with the Dirección General de Asuntos Ambientales Energéticos [Energy and Environmental Affairs Division] (DGAAE) of the Ministry of Energy and Mines (MEM), is further implementing regulatory and oversight mechanisms to make energy-related activities socially and environmentally sustainable.
- 1.7 Moreover, the development of mineral and hydrocarbon-bearing resources generates fiscal revenues that are distributed both to the national government and to the regional and local governments where they originated. For the resources from such development to be used effectively, there needs to be a significant effort on the part of a public administration that is itself facing effectiveness and efficiency challenges. According to World Economic Forum indicators, Peru ranks low in terms of efficient public management, weaknesses having been identified in the fiscal capacity of the public treasury, in budget rigidity and in strategic planning capacity.⁶
- 1.8 **Macroeconomic situation.** Peru's fiscal position went from a deficit of 2.3% of gross domestic product (GDP) in 2002 to a surplus of 3.1% in 2007, while external public debt declined from 36.5% to 18.4% of GDP. For this year, it is estimated that there will be a fiscal surplus of 2.7% of GDP and an external public debt-to-GDP ratio of 13.9%. Peru's country risk is among the lowest in the region, but it has increased because of recent financial volatility (310 basis points at end-September). The Government of Peru is implementing a program with the International Monetary Fund (IMF). In January 2007, it signed a new two-year stand-by arrangement, as a preventive measure. During the various reviews of the program, the government successfully fulfilled the program conditions. The IMF Executive

⁵ With the active participation of the Ministry of Energy and Mines, the following were adopted: Law 28054 on Promotion of the Biofuels Market, the Regulations for the Sale of Biofuels (DS 021-2007-EM), maps showing hydropower and wind power potential, an agreement with Global Village Energy Partnership International to promote energy in rural areas, and the Regulations to the Rural Electrification Act (DS 025-2007-EM), which promotes the use of renewable energy sources. Support was also provided for the Congresses on Biofuels and Renewable Energy Sources held in 2007 and October 2008.

⁶ IDB Country Strategy with Peru 2007-2011.

Board approved the Third Review of the program in July 2008. The Inter-American Development Bank (IDB) conducted an independent macroeconomic assessment (IMA), which found that Peru had sound macroeconomic and financial policies that were reflected in a good fiscal and external performance. Two credit risk rating agencies awarded Peru an investment grade this year. The IMA concludes that the macroeconomic policy framework is appropriate for programmatic policy-based loans.

- 1.9 **Problem addressed.** The context described, while auspicious in some respects, makes it necessary to confront the challenge of consolidating energy resource growth in harmony with economic growth, integrating those resources into an energy matrix that maximizes benefits for the country and ensures their environmentally and socially sustainable production and use. The current energy matrix is the product of the evolution of different components in accordance with their short-term comparative advantages and the incentives applied.⁷ In order to have a sustainable energy matrix, a large number of institutions linked to the energy sector must coordinate their activities, institutional roles must be strengthened, and regulatory frameworks must be adapted, among other things. Restricting analyses and decisions to subsectors limits the capacity to identify interactions between energy markets.
- 1.10 The incorporation of new primary energy sources also requires comprehensive consideration of the interaction of technical and economic factors, and raises the need to promote the implementation of energy transformation and transportation solutions that go hand in hand with sustainable economic growth. The regulatory framework needs to be adapted to make substantial incorporation of nontraditional renewable energy sources viable, and structural measures conducive to efficient use and conservation of energy must be adopted.
- 1.11 Complementing this, there must also be a social and environmental approach that goes hand in hand with the formulation of strategies for the energy sector in order to analyze aspects ranging from climate change mitigation and adaptation to allocation and quality control mechanisms for using resources derived from development of energy sources. All of this requires an effective institutional system and regulatory framework.
- 1.12 **Rationale.** The government expressed interest in concluding with the IDB a programmatic loan for sustainable energy in Peru that will promote the hydrocarbon and renewable energy market in an environmentally and socially responsible framework.⁸ Thus, based on the issues described above (paragraph 1.9), the IDB took steps to design a programmatic loan aimed at supporting policies and

⁷ For example, with the incorporation of gas from Camisea, the share of gas in the primary energy supply went from 7% to 17%. Source: MEM, 2007.

⁸ Official letter 1496/07 of 12 November 2007 from the Ministry of Economy and Finance to the IDB.

reforms for the Development of a New Sustainable Energy Matrix (the program) that will maximize the benefit derived from the resources, promote energy conservation and efficiency, and foster the application of environmental and social safeguards in projects (see paragraph 2.1). The energy matrix can be defined as the correlation between sources and uses of primary energy. This matrix is not a regulatory instrument; rather, it is the result of the interaction of participants in the sector, the way in which supply and demand find their equilibrium, the linkage between sources and uses of energy, and the transformations necessary for that purpose.

- 1.13 The decision to design a new energy matrix as an objective helps to articulate a systematic review of policies and lines of actions that will promote their value and sustainability. The value added of this program resides in its support for Peru's economic growth and development, since it seeks to maximize the benefit derived from the country's energy resources in a sustainable manner.
- 1.14 **Knowledge of the sector.** The IDB country strategy with Peru consists of promoting economic diversification; however, in view of the huge potential of extractive industries, including hydrocarbons, it also aims to nurture these sectors and support the sustainable use of natural resources, innovation, and generation of higher value added, especially because short-term economic growth prospects will continue to be associated with the performance of these sectors. Recent investment in extractive industries has been extraordinary: a total of US\$14.3 billion between 1994 and 2005. The sector's share of GDP rose from 4.4% in 1998 to 11% in 2005. This reflects growth in actual production and the terms of trade in mining and hydrocarbons, especially since 2003. In 2005 exports amounted to 14% of GDP (66% of the country's total exports). The higher production level of these sectors significantly increased their tax contributions in both absolute and relative terms.⁹
- 1.15 The IDB's knowledge of the energy sector has deepened as a result of its participation in financing the downstream component of the Camisea project (loan 1472A/OC-PE) and the Peru LNG project (loan 1946B/OC-PE). To accompany the Camisea project, the IDB and the Government of Peru implemented the Program for Institutional Strengthening and Environmental and Social Management Support for the Camisea Gas Project (loan 1441/OC-PE), aimed at strengthening the government's institutional capacity to monitor the project's environmental and social impact and promote sustainable development, while focusing on the most vulnerable communities in the project's area of influence.
- 1.16 With regard to energy efficiency, a technical-cooperation program (ATN/JF-7040-PE) and a Multilateral Investment Fund (MIF) project (ATN/ME-10711-PE) have focused their support on developing energy efficiency policies and standards and monitoring and evaluation mechanisms for the energy services market.

⁹ IDB Country Strategy with Peru 2007-2011.

- 1.17 In parallel and in coordination with the program, two nonreimbursable technical-cooperation programs will provide assistance in various areas, including support for strategies for the development and management of hydrocarbons and renewable energy sources. These programs—PE-T1145 (ATN/OC-11010-PE), financed by the Infrastructure Fund, and PE-T1146 (ATN/OC-10984-PE), financed by the Sustainable Energy and Climate Change Initiative (SECCI)—will fund the technical studies necessary for the formulation of sector-wide strategies for hydrocarbons, renewable energy and bioenergy (see paragraph 2.2). Both programs will contribute to the achievement of some program goals, while also creating a basic source of knowledge in the sector.

B. Objective, size, and components

- 1.18 **Objective.** The program would support the development of a new sustainable energy matrix (NSEM) that is based on a comprehensive approach to technical, economic, environmental, and social considerations and is consistent with Peru's development objectives, in order to maximize the benefit derived from energy resources in a sustainable manner.
- 1.19 Thus, the program will facilitate the formulation of public policies and reforms in the energy sector that promote sustainable and diversified energy transformation and transportation, taking into account environmental and social considerations, so that the implementation of the NSEM will be environmentally and socially sustainable and will create a stable, predictable environment for promoting investments that further growth. To this end, the government is committing itself to a number of lines of action that will help to coordinate energy policies and strategies with stakeholders in the sector (on hydrocarbons, renewable energy sources, energy efficiency, biofuels, mitigation of social and environmental impacts of energy projects).
- 1.20 The program would formulate the NSEM on the basis of two central themes: (i) support for technical and economic sustainability, and (ii) support for environmental and social sustainability. This process involves studies, setting strategies, institution-strengthening, and development of standards and regulations, which requires technical advice, international experience, communication, dialogue, and a medium- and long-term perspective. Moreover, the process of formulating the NSEM requires effective participation on the part of beneficiaries and those affected by the energy value chain, as well as the review and strengthening of social standards, supported by consultations with the government, companies, and Peruvian society. The participation of the IDB, which has supported activities to develop the energy sector and followed policy reforms, is considered a positive factor by the government.
- 1.21 Program preparation has been extensive and intensive, based on a sector-wide dialogue, which has made it possible to identify and converge numerous initiatives contributing to this objective. Commitments were made to specific and consistent

actions and a number of milestones to be reached in the first phase. The value of this dialogue resides in its having placed initiatives and actions on a common footing of knowledge and discussion among sector stakeholders, creating opportunities for intrasector coordination and generating consensus and synergies. All of this is expected to deepen and strengthen subsequent phases of the program.

- 1.22 **Size.** The size of the program's first operation, and subsequent ones, was discussed in the programming dialogue between the IDB and Peru.¹⁰ It is based on the country's financing strategy in the areas in which the government expects to receive support from multilateral agencies, and on debt sustainability. The government and the IDB have agreed that, independent of the financing needs Peru expects to cover from multilateral sources, the backing of IDB products is needed to support this policy dialogue to formulate the NSEM.¹¹ During the programming dialogue, various approaches were analyzed successively in the country financing strategy, and a base amount of up to US\$150 million was set for the first operation under this program. The government requested use of the Bank's Local Currency Facility (LCF). The program would be in dollars from the Single Currency Facility of the Bank's Ordinary Capital and would be subject to the operational framework for lending in local currency (document GN-2365-6). The government, under the provisions of the LCF, could request conversion of outstanding disbursements and balances to Peruvian nuevos soles. The size of subsequent operations, which are expected annually, will be reviewed during the respective annual programming dialogues. Some program activities will be supported through technical-cooperation operations with resources financed by the IDB of up to US\$1.95 million (paragraphs 1.17 and 2.2).
- 1.23 **Component I: Macroeconomic stability.** The objective of this component is to verify that Peru's macroeconomic context is consistent with the program objectives and with the guidelines established in the sector policy letter.
- 1.24 **Component II: Support for the technical and economic sustainability of the NSEM.** The objective of this component is to promote sector policies and reforms supporting the design of a new energy matrix that will be technically and economically sustainable. To this end, it would support lines of action which facilitate technical definitions and more vigorous planning functions, among other things. The lines of action are as follows:
- 1.25 ***Design and implementation of the NSEM.*** To support the preparation of an objective energy matrix characterized by technical and economic sustainability (see paragraph 1.9), this line of action is aimed at compiling basic technical and economic knowledge and analysis, compiling a basic inventory of energy resources,

¹⁰ IDB Country Strategy with Peru (<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1378544>).

¹¹ Policy-based loans: Guidelines for preparation and implementation, document CS-3633, paragraphs 2.2 (b) and 2.4.

- preparing the current energy matrix, analyzing policy options, time frames, and strategy, and performing risk analyses, in order to achieve an objective matrix.
- 1.26 ***Integration of primary energy sources.*** Policy and energy decisions require an assessment of the correlation between primary energy sources, in terms of resource endowment, and transformation and transportation costs through discussion of the economics of these processes. The rapid introduction of natural gas in Peru conditions the development of other primary sources. This line of action will analyze the interrelationship between those sources and will identify opportunities for substitution, particularly in (i) power generation (hydropower, gas, wind, solar, and geothermal sources); (ii) transportation (gas and liquids); (iii) industry and commerce (gas and other energy sources); and (iv) urban and rural residential use (natural gas, liquid propane gas, and other fuels).
- 1.27 ***Energy planning.*** This line of action would strengthen ongoing integrated energy planning practices by promoting sector planning coordination mechanisms between government agencies. Planning exercises, or isolated monitoring of energy subsectors, do not provide sufficient support for policy decisions, precisely because they do not incorporate interactions between energy markets. Owing to technological reasons, the different energy markets show significant degrees of integration, as well as opportunities for mutual substitution of primary sources, such as hydropower, coal, gas, and petroleum derivatives, as sources of power generation or (the last two) for transportation. This interrelationship implies that policy decisions and administrative actions create externalities that are not always anticipated.
- 1.28 ***Identification and implementation of energy plans and projects.*** Parallel to the design and formulation of the NSEM, the energy sector dynamic requires a continual response from the government that facilitates the development of markets, particularly when energy demands are steadily growing. This pressure on supply creates not only economic but also regulatory challenges. This line supports the identification and implementation of actions for the development of primary energy sources, including their transformation and transportation to consumption centers. To this end, it supports proposals for updating the regulatory framework to promote hydropower, implementation of the combined cycle in natural gas generating plants, and other consistent actions.
- 1.29 ***Development of nontraditional renewable energy sources and bioenergy and mechanisms for promoting them.*** Peru shows very promising potential for taking advantage of various nontraditional renewable energy sources (NRES). As in many other countries, the development of these sources in Peru is just emerging. The country is in the process of adapting its energy market regulatory frameworks to make the substantial incorporation of NRES viable. This line of action supports development of the potential of NRES, biofuels, and conversion to the use of energy resources in which the country has comparative advantages. A central objective of this component is to formulate and implement a strategic plan that

- dovetails with the development of sustainable energy sources, in parallel with changes to the regulatory framework that offer incentives for promoting NRES.¹²
- 1.30 ***Development of energy efficiency measures.*** Maximum benefit cannot be derived from the use of energy resources without considering their rational and efficient use. The program promotes the deepening of energy efficiency measures that have an impact on the energy matrix. To disseminate these concepts, the program will proceed with the implementation of guides on minimum standards and energy efficiency labeling, as well as energy saving standards in the public sector.¹³
- 1.31 ***Component III: Support for the environmental and social sustainability of nontraditional renewable energy sources.*** This component seeks to integrate policy measures supporting the environmental and social sustainability of the NSEM. To this end, the involvement of various government agencies linked to these areas is promoted through their participation in the following lines of action:
- 1.32 ***Preparation of environmental regulatory and supervisory standards for energy generation and transportation projects.*** This component supports deepening the environmental regulatory framework by including guidelines for improving environmental protection in hydrocarbon-producing projects, rural electrification and the electrical sector in general, as well as environmental guides for developing best practices and environmental impact studies.
- 1.33 ***Incorporation and oversight of environmental management instruments.*** Maximum permissible limits (MPLs) for energy projects will be incorporated into environmental laws in order to reduce pollution due to aerial emissions and effluents in receiving bodies of water. Emissions control is reflected in improved air quality with respect to key contaminants such as nitrogen oxides (NO_x), sulphur oxides (SO_x), carbon monoxide (CO), and particles smaller than 10 microns (PM₁₀), and the improvement of water quality in receiving bodies (especially in terms of hydrocarbon pollution indicators—grease and oil, suspended solids, chemical oxygen demand, among other things) in accordance with Environmental Quality Standards.¹⁴
- 1.34 ***Climate change adaptation and mitigation in the energy sector.*** Work in this sector will proceed on two fronts, by analyzing the vulnerability of hydropower and electrical transmission systems in relation to the risks of climate change and possible ways of mitigating or reducing greenhouse gases. On the first front, vulnerability studies will be carried out for hydropower generation. On the second,

¹² Legislative Decree 1002, Law promoting investment for power generation using renewable energy sources (2 May 2008) and its proposed Regulations.

¹³ Supreme Decree 034-2008-EM.

¹⁴ The Ministry of the Environment is implementing the Environmental Quality Standards in the framework of one of its programs that has support from the World Bank; support for the MPLs in this program has been coordinated with the World Bank.

support will be provided for the potential implementation of Clean Development Mechanisms or similar ones. For the phases beginning in 2009, the possibility will be assessed of incorporating concessional resources from the Climate Investment Fund, inasmuch as the NSEM seeks a transformation to a low carbon-content economy that promotes hydropower and renewable energy sources in general.

- 1.35 ***Strategic environmental assessment.*** During program preparation, it was agreed that the Strategic Environmental Assessment (SEA) tool would be used to analyze the impacts and opportunities that the process of developing the NSEM would present from a social and environmental standpoint. This decision is consistent with IDB environmental safeguards proposals.¹⁵ For its part, the government recently recognized the SEA as a valid instrument for analyzing the social and environmental impacts of the plans, policies and programs in Peru;¹⁶ this SEA is the first one to be developed since the validation of this instrument. Both the Ministry of the Environment and the Ministry of Energy and Mines will be involved in designing and executing the SEA. During program preparation, a process was developed, led by both ministries and supported by the IDB, in which a representative group of stakeholders in the energy sector was invited to take part in discussions and consultations to facilitate preparation of the guidelines for this assessment. The SEA will be developed *pari passu* with the preparation of the NSEM, and its execution will receive financial support from the Bank through a component of technical-cooperation program PE-T1145 (ATN/OC-11010-PE).
- 1.36 ***Citizen participation in carrying out hydrocarbon-related activities.*** This activity seeks to support the implementation of social responsibility and citizen participation mechanisms in calls for proposals, preparation of environmental studies, and environmental monitoring of energy projects, in order to disseminate information and gather input that will objectively avoid or mitigate any adverse environmental and social impacts, and to identify mechanisms for optimizing the positive social and environmental impacts of projects. To this end, actions which allow for constructive participation by regional, local, and municipal authorities, and by the population, will be supported. The legal framework will contribute to ensuring the efficient participation of the communities in the areas of influence of energy projects, especially hydrocarbon-related projects. It will also make it possible to respond better to any conflicts that may arise vis-à-vis the local communities affected, by promoting quality-of-life improvements. For all these reasons, consultation will be considered a basic tool for citizen participation, which is *“aimed at determining whether the interests of the people who live in a project’s direct area of influence might be adversely affected, so that the main concerns expressed regarding the possible social, economic, environmental, and cultural impacts that might arise from its preparation and/or execution are known and*

¹⁵ Environment and Safeguards Compliance Policy (OP-703), Section B.5.

¹⁶ Legislative Decree 1078, Article 4, paragraph 4.3. Published on 28 June 2008.

analyzed before any program of activities is undertaken or authorized.” The consultation mechanism should also promote “the full exercise of the social, economic, and cultural rights of indigenous peoples and respect their social and cultural identity, customs, traditions, and institutions.”¹⁷

- 1.37 ***Training and quality control of expenditure of resources from energy project royalties.*** The program supports the strengthening of control and management of the use of energy project royalties so that municipios, particularly those that receive royalties for hydrocarbon-producing activities, can evaluate execution effectiveness. The government has endeavored to promote the development and strengthening of technical and institutional capacity at the national, regional, and local levels to have access to resources from energy development. In particular, 24 regional Technical Assistance Coordination Committees have been established and strengthened to support local governments in project preparation by helping to ensure the relevance and quality of expenditure in line with the region’s needs. In addition, the government, through the Ministry of Economy and Finance, has established an online software system available to the public, to track expenditure execution, thus providing the system with transparency.

C. Outcome indicators

- 1.38 The Results Matrix (see “Electronic links”) presents outcome indicators associated with the program components. These indicators have been formulated and projected on the basis of two scenarios, one short term (to 2012) and one medium term (to 2015), in order to contribute to the program impact assessment. The indicators have been analyzed and corroborated with the different agencies involved in this program, which will help to monitor them.

II. FINANCING STRUCTURE AND MAJOR RISKS

A. Financing instruments and contractual conditions

- 2.1 The program intends to support the implementation of medium-term policy measures. The government expects this support to contribute to the sector dialogue on policies and to the definition, coordination and implementation of the strategic actions and decisions needed to design and carry them out. The proposed instrument is a programmatic policy-based operation. It consists of individual operations that are independent of one another, but structured in phases that are technically interlinked. The operation has been designed in four phases, with specific triggers for moving from one operation to the next. The programmatic approach makes it possible to monitor a sustained policy dialogue in support of the lines of action to which the program is committed. This instrument is also sufficiently flexible that the program implementation strategy can be adapted to a constantly evolving sector and country.

¹⁷ Quotations from Supreme Decree 012-2008-EM.

- 2.2 Since the program focuses on renewable energy sources, energy efficiency, bioenergy, carbon finance, and climate change adaptation and mitigation, among other things, it supports actions congruent with the four pillars of the Sustainable Energy and Climate Change Initiative (SECCI), adopted by the Bank in 2006. Consistent with that, SECCI is financing one of the technical-cooperation operations (ATN/OC-10984-PE) that supports the program under consideration.

B. Environmental and social risks and mitigation measures

- 2.3 Because this involves a programmatic policy-based loan (PBL), the program does not finance physical investments; accordingly, it is expected to have no direct negative or positive impact on the environment. As a result of the actions derived from the conditionality matrix, future energy projects within the framework of the NSEM are expected to be socially and environmentally sustainable. It is also expected that the environmental policy, strengthening, regulatory, and monitoring instruments that the program supports will succeed in including social and environmental factors in all energy projects implemented by Peru in a comprehensive, planned and forward-looking manner.
- 2.4 In spite of the foregoing, the development of the NSEM entails a number of challenges and risks, among the most significant of which are those associated with the environmental and social approach, especially taking into account the lessons learned from the Camisea project. The Ministry of Energy and Mines, the Ministry of the Environment, and the IDB agreed that a Strategic Environmental Assessment (SEA) was the most appropriate instrument for analyzing the impacts that may be associated with a NSEM (paragraph 1.35).
- 2.5 The SEA will be the instrument for facilitating the strategic decisions that are adopted as part of the change in matrix, for the purpose of ensuring integration of the environmental and social components in a context of sustainability. It will also promote appropriate institutional venues for fostering participation by stakeholders, so that they can influence decision-making related to the NSEM, thereby promoting the sustainability, transparency, and accountability of such policy decisions. It will also integrate consultations related to the energy matrix in a single participatory process.
- 2.6 To this end, the following specific objectives are proposed: identifying potential environmental and social risks and opportunities associated with the alternatives discussed within the framework of the NSEM; integrating these considerations into the related decision-making processes; facilitating the consideration of cumulative impacts; producing more effective development contexts by integrating environmental sustainability considerations into the final NSEM proposal; and pointing out critical factors to be considered in the future preparation of the environmental impact studies for individual projects.
- 2.7 As the central element of the social and environmental strategy for the program, the SEA will be developed, as described above and in the program's environmental and

social strategy. This SEA will be consistent with Operational Policies OP-703, OP-710, and OP-765. The program complies with the Environment and Safeguards Compliance Policy and, in accordance with that policy, does not require classification.

C. Fiduciary risk

- 2.8 The IDB supports this program through a programmatic policy-based loan, which will provide unrestricted funds once a responsible fiscal policy framework is in place. No pertinent fiduciary risk is believed to exist.

D. Execution risk

- 2.9 The Ministry of Economy and Finance and the Ministry of Energy and Mines will provide capacity and advocacy for program implementation. The former will coordinate the program through its Unidad de Coordinación de Préstamos Sectoriales [Sector Loans Coordination Unit], which has broad experience in managing programmatic operations, and the latter will contribute its sector knowledge and leadership.
- 2.10 Despite this experienced leadership, there is a risk that sustained coordination among the numerous agencies involved will not be achieved. This risk is mitigated by the government's decision and actions to systematically bring together the parties involved, by, inter alia, establishing the Benchmark Energy Plan Coordination Committee, and in the consultation and coordination mechanisms supported by the Bank-financed technical-cooperation programs.

E. Other special considerations and risks

- 2.11 The risks described earlier were discussed during program preparation, with the participation of government officials. It was agreed that those risks are mitigated by the government's own conviction about pursuing the program, the importance of this operation to the country in terms of maximizing the benefits of the energy sector, and the leadership that the Ministry of Economy and Finance and the Ministry of Energy and Mines provide.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Institutional arrangement for implementation

- 3.1 The Republic of Peru will be the program borrower. The executing agency is the Ministry of Economy and Finance. It will be in charge of monitoring the commitments laid down in the policy matrix (Annex I) with the various entities involved. The Ministry of Energy and Mines will be a key participant in facilitating program follow-up and monitoring.
- 3.2 As the executing agency, the Ministry of Economy and Finance will have the following responsibilities: (i) delivering reports and evidence of fulfillment of the conditions for the operation, and any other report that the IDB may require;

(ii) furthering actions aimed at achieving the policy objectives defined in the program, particularly those included as triggers for the second, third, and fourth operations; and (iii) gathering, filing, and delivering to the IDB all information, indicators, and parameters that can help the government and the Bank to monitor, measure, and evaluate program outcomes.

B. Supervision and evaluation of results

- 3.3 At the IDB, the project team will be responsible for monitoring this program. The borrower and the IDB have agreed to hold monitoring meetings on dates to be determined by mutual agreement. After each program tranche is completed, the project team will produce a simplified version of the project status report, reviewing developments in program indicators, in order to identify progress and support any proposed changes that may be required to attain the program targets.
- 3.4 In accordance with Bank procedures, a project completion report (PCR) will be prepared within six months after the conditions for disbursement of the fourth tranche have been fulfilled. It will evaluate the impact attained and the achievement of the anticipated outcomes.
- 3.5 The borrower is responsible for compiling all the data necessary for monitoring and evaluation. The authorities will cover the costs of collecting and processing this information.
- 3.6 As part of technical-cooperation programs PE-T1145 (ATN/OC-11010-PE) and PE-T1146 (ATN/OC-10984-PE), project coordinators will be hired to supervise program execution.

C. Policy letter

- 3.7 The IDB has agreed with the government on the macroeconomic and sector policies to be included in the policy letter that will be submitted by the Ministry of Economy and Finance. The letter will describe the main components of the government's strategy for this program and reaffirm its commitment to implement the activities agreed on with the Bank.

**PERU: DEVELOPMENT OF A NEW SUSTAINABLE ENERGY MATRIX, PROGRAM I
(PE-L1061)**

POLICY MATRIX

Objective: To support the development of a new sustainable energy matrix that is based on a comprehensive approach to technical, economic, environmental, and social considerations and is consistent with Peru's development objectives.

Objectives	Responsible agency/ areas	Commitments Programmatic operation I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
I. General macroeconomic policy framework					
A stable general macroeconomic policy framework.		(1) A macroeconomic framework consistent with program objectives and the guidelines established in the sector policy letter.	A macroeconomic framework consistent with program objectives and the guidelines established in the sector policy letter.	A macroeconomic framework consistent with program objectives and the guidelines established in the sector policy letter.	A macroeconomic framework consistent with program objectives and the guidelines established in the sector policy letter.
II. Support for technical and economic sustainability					
Design and implementation of the new sustainable energy matrix (NSEM) Provide technical assistance in the design and implementation of the NSEM.	MEM DGE/DGH	(2) Guidelines have been approved for conducting studies and activities to support the development of an objective NSEM which includes a basic inventory of energy resources, a policy options analysis (risk analysis), and a strategy for achieving an objective matrix in the medium term.	A proposal has been submitted for a NSEM in the context of the approved guidelines that provides for: (i) its composition in 5, 10, and 15 years' time; (ii) the concept of technical, economic, environmental, and social sustainability; (iii) alternative scenarios involving a different resource endowment and changes in relative prices; (iv) analysis of the potential environmental impacts of developing and transforming the major primary energy sources.	The NSEM has been approved.	The NSEM follow-up and monitoring process has been implemented.
Integration of primary energy sources Estimate the correlation	MEM DGE/DGH	(3) Guidelines have been approved for conducting studies and activities to support reviewing the	In the framework of the approved guidelines, the following documents have been prepared:	Plans have been approved.	Plans are being implemented.

Objectives	Responsible agency/ areas	Commitments Programmatic operation I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
between primary energy resources, in terms of resource endowment and the costs of transformation and transportation to consumption centers.		<p>economics of transforming primary energy sources and the potential for substitution between them in:</p> <ul style="list-style-type: none"> i) power generation (water, gas, wind, solar, and geothermal sources); ii) transportation (gas and liquid fuels); iii) industry and commerce (gas and other energy sources) iv) urban and rural residential use (natural gas, liquid propane gas, and other fuels). 	<ul style="list-style-type: none"> • Integrated energy transportation plan (gas and electricity). • Plan for promoting the use of natural gas and liquid propane gas in transportation throughout the country. • Plan for promoting the use of gas in industry and commerce. • Plan for promoting natural gas and liquid propane gas for urban and rural residential use, respectively. 		
Energy planning Develop ongoing integrated energy planning practices.	MEM VME/OGPP	(4) Sector-wide mechanisms for coordination of planning between government agencies and offices have been established.	The Benchmark Energy Plan, backed by planning coordination mechanisms, including a diagnostic assessment of the country's energy system, supply and demand projections and scenarios, and policy guidelines for the sector, has been prepared.	The Benchmark Energy Plan has been approved and is being implemented.	Review and monitoring of the Benchmark Energy Plan.
	MEM OGPP		The National Energy Balance Sheet has been updated and published.	Proposed guidelines on energy policy and strategy have been published for one region.	Proposed guidelines on energy policy and strategy have been published for one additional region.

Objectives	Agency/ Areas of responsibility	Programmatic commitments I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
Identification and implementation of energy plans and projects Identify and implement actions for developing primary energy sources, including their transformation and transportation of the energy sources to consumption centers.	OSINERGMIN	(5) A modification to the regulatory framework that promotes hydropower has been approved.	An evaluation of the performance of the regulatory framework in promoting hydropower has been prepared.	.	
	MEM DGE	(6) A request for commencement of the hydropower project auction has been submitted.	Conditions for the auction have been prepared.	The hydropower project auction has been announced.	
	MEM DGE	(7) The combined-cycle standard has been approved.	The combined-cycle regulations have been approved.		
	MEM DGH	(8) The guidelines and scope of a study analyzing alternatives for supplying and transporting compressed or liquefied natural gas to markets outside Lima have been approved.	A plan for supplying gas to markets outside Lima has been proposed.	A plan for supplying gas to markets outside Lima has been approved and is being implemented.	
Development of nontraditional renewable energy sources and bioenergy Develop the potential of renewable energy sources and biofuels, and convert to the use of energy resources in which Peru has comparative advantages.	MEM DGE	(9) The guidelines and scope of a study for preparing the Strategic Plan for Sustainable Energy and Bioenergy (PEESB) have been approved. ¹	The Plan is in preparation.	The Plan has been approved.	The Plan is being implemented.
		(10) A standard for the development of renewable energy sources has been approved.		The Renewable Energy Master Plan, based on the Law promoting investment for power generation using renewable energy sources, has been drawn up.	The Renewable Energy Master Plan, based on the Law promoting investment for power generation using renewable energy sources, has been approved.
		(11) The Regulations to the Law promoting investment for	The Regulations to the Law promoting investment for		

¹ The necessary coordination will be carried out with MINAG, and the Plan will be supplemented by the MINAG Biofuels Strategic Plan.

Objectives	Agency/ Areas of responsibility	Programmatic commitments I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
		power generation using renewable energy sources have been approved.	electricity generation using renewable energy sources are being implemented.		
	MEM DGH	(12) The Biofuels Marketing Regulations have been approved.	The compulsory blend of 2% biodiesel with diesel fuel is being implemented.	The compulsory blend of 7.8% ethanol with gasoline is being implemented.	The compulsory blend of 5% biodiesel with diesel fuel is being implemented.
	PROINVERSION PROBIOCOM		Guidelines for sustainable biofuel production have been drawn up.	Guidelines for sustainable biofuel production have been approved. The promotion of international certification systems for sustainable biofuel production has begun.	The incorporation of certification systems for sustainable biofuel production is being implemented.
	MINAG DGPA		Areas available for biofuels production have begun to be identified. The Biofuels Strategic Plan has been approved.	The formation of biofuels production chains has begun to be promoted. The Biofuels Strategic Plan is being executed.	The Biofuels Strategic Plan is being executed.
Mechanism to promote nontraditional renewable energy sources and bioenergy Develop a program to increase the appeal of renewable energy sources and bioenergy.	MEM DGE		A study for the preparation of a program on promoting investment in renewable energy and promoting the productive use of energy has been announced.	The program on promoting investment in renewable energy and promoting the productive use of energy is being implemented. Phase I has been approved and is operational.	The program on promoting investment in renewable energy and promoting the productive use of energy is being implemented. Phase II.

Objectives	Agency/ Areas of responsibility	Programmatic commitments I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
Development of energy efficiency measures Develop energy efficiency measures that have an impact on the energy matrix.	MEM DGE	(13) Guides on minimum standards and energy efficiency labeling have been prepublished. (14) A standard for saving energy in the public sector has been approved.	Guides on minimum standards and energy efficiency labeling have been approved. The Benchmark Plan for Efficient Energy Use has been prepared.	Technical regulations for minimum standards and labeling have been approved. The Benchmark Plan for Efficient Energy Use has been approved.	The Benchmark Plan for Efficient Energy Use is being implemented.
III. Support for environmental and social sustainability					
Regulation, supervision, and environmental standards Enhance the role of regulation and supervision, particularly in the environmental sphere, and prepare supplements or adjustments to the environmental standards in the sector as necessary to further the NSEM.	MINAM MINAM	(15) The matrix of environmental competencies on energy has been proposed.	The matrix of environmental competencies on energy has been approved. The institutional framework for integrated, coordinated, and efficient environmental and social management has been approved.	The institutional framework for integrated, coordinated, and efficient environmental and social management is being implemented.	Consensus has been reached on environmental management standards.

Objectives	Agency/ Areas of responsibility	Programmatic commitments I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
	MEM DGAAE		<p>Environmental protection regulations for electrical sector activities have been approved and are being implemented.</p> <p>Environmental standards for evaluation of the execution of rural electrification projects, including the respective regulations, have been approved and are being implemented.</p> <p>Environmental guides to the preparation of environmental impact studies on hydrocarbon and electrical activities have been updated.</p> <p>Standards and guides for the evaluation of environmental studies on new energy sources have been republished.</p>	<p>Environmental protection regulations for electrical sector activities are being implemented.</p> <p>Technical, environmental, and procedural standards for the execution of rural electrification projects are being implemented.</p> <p>Standards and guides for the evaluation of environmental studies on new energy sources have been approved.</p>	<p>Standards and guides for the evaluation of environmental studies on new energy sources are being implemented.</p>
	MINAM	(16) Institutional training needs have been identified.	Institutional training is being implemented.	Institutional training is being implemented.	
Environmental management instruments Establish environmental management instruments to reduce the effects of environmental pollution from the energy sector.	MINAM	(17) The Eco-efficient Municipios Program has been presented.	The Eco-efficient Municipios Program is being implemented.	The Eco-efficient Municipios Program is being implemented.	
	MINAM	(18) Maximum permissible limits (MPLs) for hydrocarbon effluents have been approved.	MPLs for hydrocarbon and electricity emissions have been approved.		

Objectives	Agency/ Areas of responsibility	Programmatic commitments I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
			An MPL inspection plan has been proposed.	An MPL inspection plan is being implemented.	
Climate change adaptation and mitigation in energy projects Develop the potential of Clean Development Mechanisms or similar mechanisms as an instrument for promoting reduction of greenhouse gases and analyzing the effects of climate change on Peru's energy sector.	MEM DGE	(19) The guidelines and scope of study for preparation of the Strategic Plan for Sustainable Energy and Bioenergy, which will study the potential for mitigating and/or reducing carbon emissions, have been approved.	As part of the Plan, an analysis of the alternatives for mitigating and/or reducing greenhouse gas emissions in the energy sector is being prepared.	As part of the Plan, alternatives for mitigating and/or reducing greenhouse gas emissions in the energy sector have been approved.	As part of the Plan, alternatives for mitigating and/or reducing greenhouse gas emissions in the energy sector are being implemented.
	MEM DGE	(20) A study to assess the vulnerability of hydropower production, infrastructure, and transmission systems to future climate risks based on current climate change scenarios, and an estimate of the costs of losses and impacts, has been started.	The assessment of the vulnerability of hydropower production, infrastructure, and transmission systems to future climate risks based on current climate change scenarios, and an estimate of the costs of losses and impacts, has been completed.	Measures to reduce the vulnerability of hydropower production, infrastructure, and transmission systems to future climate risks based on current climate change scenarios, and an estimate of the costs of losses and impacts are being implemented.	Measures to reduce the vulnerability of hydropower production, infrastructure, and transmission systems to future climate risks based on current climate change scenarios, and an estimate of the costs of losses and impacts and adaptation to climate change are being implemented.
Strategic Environmental Assessment (SEA) Analyze the potential and the social and environmental challenges of developing the NSEM.	MINAM	(21) A standard which provides for an SEA when drawing up policies, plans, and programs has been approved.			
	MEM DGAAE	(22) Guidelines for the execution of an SEA on the potential environmental impacts of developing the major primary energy sources in Peru, as an input to decision-making on changing the	The SEA on the potential social and environmental impacts of developing the major primary energy sources in Peru, as an input to decision-making on changing the country's energy matrix, incorporating a	The SEA on the potential social and environmental impacts of developing the major primary energy sources in Peru, as an input to decision-making on changing the country's energy matrix, incorporating a	The SEA recommendations have been approved.

Objectives	Agency/ Areas of responsibility	Programmatic commitments I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
		country's energy matrix, incorporating a Communication, Consultation, and Participation Plan, have been agreed on and approved.	Communication, Consultation, and Participation Plan, is being executed.	Communication, Consultation, and Participation Plan, has been completed.	
Social sustainability Support actions for sustainable development of the sector through the implementation of social responsibility mechanisms, inclusive participation, and quality social management, in addition to promoting the development and strengthening of national, regional, and local technical and institutional capacity to gain access to the resources from development of energy sources.	MEM DGAAE		Social management, local sustainable development, and social responsibility policies have been drawn up.	Social management mechanisms, procedures, and best practices have been approved.	Social management mechanisms, procedures, and best practices are being implemented.
	MEM DGAAE/OGGS	(23) The regulations on citizen participation in hydrocarbon subsector activities have been approved. (24) The guidelines for citizen participation in hydrocarbon activities have been approved.	The guide to citizen participation in hydrocarbon activities has been drawn up.	The guide to citizen participation in hydrocarbon activities has been approved and is being implemented.	
	MEM DGAAE		Standards on the social component of the Environmental Impact Studies on hydrocarbon projects have been approved.		
	MEM OGGS	(25) The protocol on involvement in mining and energy cases has been drawn up.	The protocol on involvement in mining and energy cases has been approved. The protocol of action to mitigate social impacts in the event the activity is carried out inside a reserve.	Oversight mechanisms established and being implemented.	

Objectives	Agency/ Areas of responsibility	Programmatic commitments I	Triggers Programmatic operation II	Triggers Programmatic operation III	Triggers Programmatic operation IV
	MEM DNPP/DGPM	(26) Training and technical assistance are being provided to regional and local governments for the design of public investment projects (PIPs) and the execution of (i) ordinary resources; and (ii) PIPs financed with shareouts and royalties from energy development, through the Technical Assistance Coordination Committees.	Training and technical assistance are being provided to regional and local governments for the execution of (i) ordinary resources; and (ii) PIPs financed with shareouts and royalties from energy development, through the Technical Assistance Coordination Committees.	Training is being provided to regional and local governments for the execution of (i) ordinary resources; and (ii) PIPs financed with shareouts and royalties from energy development.	Training is being provided to regional and local governments for the execution of (i) ordinary resources; and (ii) PIPs financed with shareouts and royalties from energy development.
	MEF DGAES		A study on the status and projections of future revenue from sector activities at the national and regional levels, including recommendations, have been approved.		
	MEF DNPP	(27) A “user-friendly system on public sector budget management,” including local governments, is being implemented.	A system of indicators for determining the performance ranking of local governments is being implemented.		
			A system on the quality of public investment by local governments is being implemented.		

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/08

Peru. Loan ____/OC-PE to the Republic of Peru
Program for the Development of a New Sustainable Energy Matrix I

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for the development of a new sustainable energy matrix I. Such financing will be for an amount of up to US\$150,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted _____)

LEG/SGO/PE-1772902-08
PE-L1061