

PROJECT ABSTRACT: PERU

ANCÓN-HUACHO-PATIVILCA TOLL ROAD PROJECT (PE-0235)

Overview

IDB has been approached by Norvial S.A. (the “Company,” the “Concessionaire” or the “Borrower”) pursuant to its successful bid to expand and improve the Ancón-Huacho-Pativilca Highway System (the “Project”) previously known as *Red Vial 5* (the “System”). The 182.7 km System will be developed under the terms and conditions of a 25-year Build-Operate-Transfer (BOT) concession (the “Concession”) by the *Ministerio de Transportes y Comunicaciones* (MTC) and administered by the independent oversight commission, *Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público* (OSITRAN). The concession was awarded to the Company in May 2002 and signed by the Company on January 15, 2003.

The Ancón-Huacho-Pativilca system is the only access to greater metropolitan Lima from the north of Peru. The vast majority of traffic is associated with movements of goods to-and-from production in the north to metropolitan Lima and the nearby Port of Callao, the largest port facility in Peru. As such, traffic on the road is dominated by truck traffic, which transports goods to and from productive areas and the area surrounding metropolitan Lima. Although the road is primarily rural, the investments in the Project are dedicated to keeping high-speed truck traffic away from town centers where the safety concerns and maintenance of the roads are critical. In response, the Project was designed as a series of bypass roads and detours in order to direct this heavy traffic away from urban areas to the benefit of both the residents of these communities as well as the efficiency of the trucking industries and passenger vehicle travel. The largest capital expenditures required under the Concession are bridges and interchanges that form part of the roads that will bypass these population centers along the route.

The Investment

The Project to be supported by the Bank will consist of the first of two phases of investment to take place during the 25-year Concession. “Phase I,” to be financed by the Bank, is to be completed in the first three years of the Concession and involves the construction of bypass roads, additional local lanes in critical points and the addition of accesses and intersections to improve traffic safety. The works will consist of the construction and expansion of highways, bridges, intersections, service lanes, access and exit ramps, signaling and passenger/pedestrian security measures. Under the terms and conditions of the Concession, “Phase II” will take place no later than year 12 of the Concession period.

The total cost of capital investments to be financed by the IDB will be approximately US\$73.0 million. The long-term debt financing for the road will be financed jointly by the Bank and the International Finance Corporation. The remaining cost items are typical items for a highway project financing including expropriations paid by the Company, financing costs and other fees. The investment plan covers only the capital expenditures

during the first three years of project execution during which, all of the capital investments required under the first phase of the Concession will be executed.

The Company: Norvial S.A.

Norvial S.A. is a special-purpose vehicle constituted for the sole purpose of executing the expansion, upgrade, operation and maintenance of the Ancón-Huacho-Pativilca system. The Company consists of construction companies: Graña y Montero S.A.A., JJC Contratistas Generales S.A. and Besco S.A., (collectively, the “Sponsors”). Besco is a fully-owned Peruvian subsidiary of the Chilean construction company, Besalco. The Sponsors’ track record demonstrates the technical capacity to successfully construct and operate a project such as the Ancón-Huacho-Pativilca system. The operation and maintenance of the Company is expected to be carried out by CONCAR S.A., an operating subsidiary of Graña y Montero, which currently operates the only other private toll road concession in Perú.