

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**PROGRAM TO REDUCE THE VULNERABILITY  
OF THE STATE TO DISASTERS I**

**(PE-L1086)**

**LOAN PROPOSAL**

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## ANNEXES

### PRINTED ANNEXES

Annex I	Summary Development Effectiveness Matrix (DEM)
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## ELECTRONIC LINKS

### REQUIRED

2. Policy letter  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35341111>
3. Verification matrix  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35218918>
4. Results matrix  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35218988>

### OPTIONAL

1. Evaluation plan  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35219496>
2. Risk mitigation plan  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35289418>
3. Design note. Program to Reduce the Vulnerability of the State to Disasters  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35219503>
4. Analysis of strategic actions to move forward with regulatory and institutional reform of disaster risk management in Peru  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35219505>
5. Framework bill for integrated disaster risk management  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35219510>
6. Catastrophe risk profile  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35103315>
7. Alternative financial instruments to contain and transfer risk  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35103312>
8. Disaster risk indicators and risk management indicators  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35160017>
9. Other studies conducted  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35223823>

## ABBREVIATIONS

CAT-DDO	Catastrophic Deferred Drawdown Option
DGPP	Public Budget Office
DM	Disaster Management
DNEP	National Office of Public-sector Borrowing
FP	Financial protection
GDP	Gross domestic product
IMARPE	Peruvian Institute of the Sea
IMARSIS	Peruvian Oceanographic and Fisheries Information System
INDECI	National Civil Defense Institute
INGEMMET	Geological, Mining, and Metallurgical Institute
IR	Identification of risks
MEF	Ministry of Economy and Finance
MINAG	Ministry of Agriculture and Livestock
MINAM	Ministry of the Environment
MVCS	Ministry of Housing, Construction, and Sanitation
PBL	Policy-based loan
PCM	Presidency of the Council of Ministers
RMI	Risk management index
RR	Risk reduction
SENAMHI	National Meteorology and Hydrology Service
SNIP	National Public Investment System
UCPS	Sector Loan Coordination Unit

## PROJECT SUMMARY

### PERU PROGRAM TO REDUCE THE VULNERABILITY OF THE STATE TO DISASTERS I (PE-L1086)

Financial Terms and Conditions				
Borrower: Republic of Peru Executing agency: Ministry of Economy and Finance (MEF), acting through the National Office of Public-sector Borrowing (DNEP) and the Sector Loan Coordination Unit (UCPS)			Amortization period:	20 years
			Grace period:	5 years
			Disbursement period:	12 months
Source	Amount (US\$)	%	Interest rate:	LIBOR
IDB (OC)	US\$25 million	100%	Inspection and supervision fee:	*
			Credit fee:	*
			Currency:	U.S. dollars from the Single Currency Facility of the Bank's Ordinary Capital. Conversion option to Peruvian nuevos soles: Local Currency Facility.
Total	US\$25 million	100%		
Project at a Glance				
<b>Program objective:</b> The program’s objective is to strengthen and modernize the regulatory, institutional, and public policy framework for integrated disaster risk management. Specifically, the program will support a series of reforms aimed at strengthening the legal and institutional framework at the level of institutions with governing and sector authority, including the financial management of risk and the results-based budget mechanism promoted by the Ministry of Economy and Finance (MEF). Specifically, the program makes policy commitments in two components: (1) governance and development of the regulatory framework; and (2) development of instruments and capacity-building for sector-based and territorial management with respect to four lines of action: (i) identification of risks; (ii) risk reduction; (iii) disaster management; and (iv) financial management of risks.				
<b>Special contractual conditions:</b> The disbursement of resources will be subject to completion of the policy reform measures described in Section B of Chapter I, and in Annex II, “Policy Matrix;” see also the “Results Matrix” (required electronic link 4).				
<b>Exceptions to Bank policy:</b> None.				
<b>Project consistent with country strategy:</b>				
<b>Project qualifies as:</b>				
	Yes [X]	No [ ]		
	SEQ [ ]	PTI [ ]	Sector [ ]	Geographic [ ]
				Headcount [ ]

\* 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. PROGRAM DESCRIPTION**

### **A. Background**

#### **1. Introduction**

- 1.1 The program is the first of three programmatic policy-based loans (PBLs) to support the Peruvian government in the implementation of a legal and institutional reform process whose goal is "...forecasting, reduction, and continuous monitoring of disaster risk factors in society, as well as effective disaster response, in accordance and integrated with the meeting of milestones in sustainable human, economic, environmental, and territorial development.<sup>1</sup> Program PE-L1086 involves financing of US\$25 million, with disbursement slated for 2010, once the policy reform conditions set in the Policy Matrix have been met.

#### **2. Macroeconomic conditions**

- 1.2 In terms of the macroeconomic context, the economic outlook for 2010 is favorable, reflecting responsible macroeconomic management over several years that has allowed the implementation of countercyclical policies to mitigate, to a certain extent, the negative effects of the international financial crisis in 2009. Today, the Peruvian economy shows signs of rapid recovery. GDP growth reached 6% in the first quarter of 2010. Domestic demand is showing a strong rebound, and the business confidence index is at precrisis levels. The estimated GDP expansion for this year is on the rise and could reach 5.7% (Consensus Forecast). At the same time, the gradual rollback of the monetary stimulus has begun and fiscal prudence measures have been announced. Inflation is expected to return to the target band of around 2.5%; the fiscal deficit will gradually fall (1.6% of GDP); and the current account deficit will be sustainable (0.9% of GDP). While the uncertainty on the international scenario and in the sociopolitical context show signs of some vulnerability, Peru has maintained investment-grade status with DBRS, Fitch, Standard & Poor's, and Moody's.

#### **3. Diagnostic assessment of the problem**

- 1.3 The scope of the problem of Peru's vulnerability to disasters is significant. According to various recent studies, the country is identified as one of the countries with the greatest vulnerability to multiple natural threats on the entire continent. In fact, between 1970 and 2009, Peru was impacted by 105 disasters, 71% of which were caused by hydrometeorological phenomena (droughts, floods, mudslides, frosts) and 29% by geophysical events (seismic activity, volcanic eruptions, and landslides). These disasters caused more than 74,000 deaths and affected 18 million Peruvians. During this period, Peru was the Latin American country with the highest number of deaths and the second-highest number of victims (trailing only Brazil, whose population is six times greater). In terms of damages caused by hydrometeorological events, it is important to note the impact of the El Niño phenomenon, which during the severe episodes of 1982-83 and 1997-98 caused

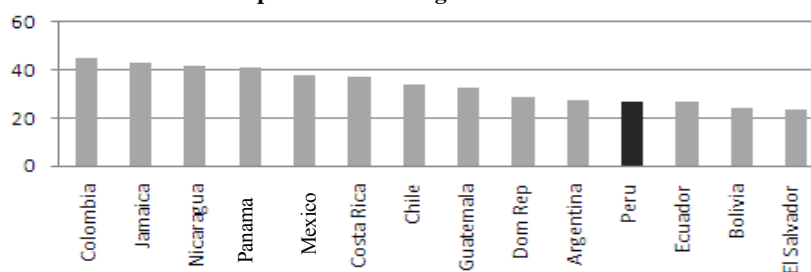
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<sup>1</sup> Draft Framework Law for Integrated Disaster Risk Management.

estimated losses of US\$6.8 billion. Earthquakes are another type of disaster that has caused the country major economic losses. For example, the Pisco earthquake in 2007 caused damages in excess of US\$2 billion. In this year alone, rains have caused numerous floods and mudslides in the regions of Cuzco, Ayacucho, Puno, Huancavelica, and Huánuco, causing 92 deaths and affecting more than 235,000. Over 22,300 homes were damaged, and 4,700 destroyed. The rains destroyed 11,700 hectares of crops and impacted another 39,000 hectares.

- 1.4 According to a recent [study of Peru's seismic disaster profile](#), prepared with the Bank's support (ATN/JF-9349-RS), it is estimated that the country has more than US\$400 billion in exposed infrastructure. In the case of an extreme seismic event similar to those that took place in Haiti or Chile (i.e., one with a recurrence of at least 100 years), the country could suffer losses of up to US\$43 billion. The study concludes that should such an event occur, the Peruvian public sector would not be financially able to cover the fiscal liabilities associated with such a loss.
- 1.5 Moreover, the [System of Indicators of Disaster Risk and Risk Management](#), developed by the Bank since 1990 for 14 of the region's countries, indicates that in the case of Peru, performance in key risk management components (i.e., financial protection and governance, risk identification, risk reduction, and disaster management) is in the early stages. The Risk Management Index (RMI), which measures the level of this performance on a scale from 0 (minimum) to 100 (maximum), shows relative improvement per component between 1995 and 2008 from 16.87 to 26.67; but compared to other countries in the region with similar exposure to threats, this index shows relatively weaker performance.

Graph I.1. Risk Management Index 2008



Source: IDB (2009)

- 1.6 From the detailed analysis of the factors determining the RMI level in its four components, together with the diagnostic assessments undertaken in the program design phase, the following primary risk management challenges have been identified, which the country must address to improve its RMI and its relative position in the region:
  - a. **The country lacks a regulatory and institutional framework that strategically addresses disaster risk through integrated management.** The RMI related to financial protection and governance reflects a level of 12.31.

The current management framework is based on obsolete legislation that is limited to civil defense for emergency response. Moreover, no effort has been made to decentralize risk management or make it an issue that cuts across sectors and subnational governments, key stakeholders in a modern management framework. Ad hoc efforts to fill regulatory and management gaps, such as the creation of the Program to Reduce Vulnerabilities to the El Niño Phenomenon (PREVEN) in 2006 (decree expanding authority in 2009) or the Fund for the Reconstruction of the South (FORSUR) in 2007, reflect isolated interim responses that have led to greater legal confusion and have aggravated the existing problem of lack of definition and overlapping of roles and functions with national and subnational bodies. At the same time, in recent years, the process of regionalization has not been accompanied by resources to build the capacities of these entities so that they can perform integrated risk management in their respective territories. Moreover, there are no budgetary incentives allowing line ministries and regional and local governments to assume and prioritize risk management in their development plans and be accountable for their results.

- b. **The country has a limited financial planning capacity to address emergencies caused by natural phenomena.** Responsibilities are not clearly defined for this issue, and no resources are earmarked for moving forward with the implementation of mechanisms to minimize and transfer risk. Risk reduction through damage prevention and mitigation should necessarily be accompanied by a financial management strategy that provides a set of financial instruments to mitigate and transfer risks.
- c. **A critical gap in Peru's risk management system is the limited capacity to generate, access, analyze, and disseminate information from spatial data on risks.** The RMI linked to risk identification capacities is 39.84. Although the country currently has several institutions devoted to generating a wide range of information on climatology, hydrology, volcanology, and oceanography, among other areas, one of the critical gaps in Peru's system is the lack of protocols and standards for the management of information on risks.
- d. **The institutional, legal, and policy framework related to territorial management is in the early stages, as are the mechanisms creating incentives for investment in prevention and mitigation based on safe land use and risk reduction.** The RMI associated with management capacities for risk reduction is 38.00. There are currently uncoordinated initiatives in sectors such as housing, environment, and agriculture, with provisions that are not mandatory and insufficient technical tools to regulate and guide planning, investment, urban settlement patterns, and agricultural production.
- e. **National emergency response and disaster management capacities show growing weaknesses, as demonstrated in recent events.** The RMI for disaster management is 16.54. While the National Civil Defense Institute



(INDECI) has a long track record in emergency response, its work has developed under an obsolete legal framework that, over time, has contributed to diverting and dispersing its attention toward areas more appropriate to other development stakeholders that are also part of the National Civil Defense System (SINADECI). In this regard, having a specific regulatory framework governing the State's actions and building capacities in disaster preparedness and post-disaster management is fundamental.

#### **4. Recent government advances in the sector**

- 1.7 In November 2009, the Peruvian government asked the Bank, among others, to take part in a technical dialogue on the issue of risk management and the vulnerability of the State to natural disasters, highlighting the high priority the government placed on this issue and the need to address these challenges in an integrated manner. As a result of this dialogue, the government designed a Strategy to Reduce the Vulnerability of the State to Disasters based on two fundamental pillars: (i) the regulatory and institutional reform of disaster risk management, recognizing that the current weakness is the country's main challenge and bottleneck; and (ii) implementation of a financial strategy that effectively internalizes risk management in all areas of public and private economic activity.
- 1.8 In this context, the Peruvian government has begun a process, with Bank support, to discuss the development of a regulatory and institutional framework for risk management that responds to the problems described above. The country already has a draft framework law whose implementation will put the country on the region's regulatory and legal cutting edge. This bill, approved in June by the Presidency of the Council of Ministers (PCM) and sent to Congress by the President of the Republic, contains: (i) the policy foundations for integrated disaster risk management, addressing risk as a development problem; (ii) national policy guidelines and instruments for the estimation, prevention, and reduction of risk, and preparation, response, rehabilitation, and reconstruction; (iii) the proposed structure for the national system where risk management responsibilities are assigned based on the competencies of development stakeholders at all levels of government; (iv) the financial management of disaster risks as policy instruments; and (v) the processes and mechanisms required to ensure adequate response capacity at all levels of government.
- 1.9 The Peruvian government also enacted Emergency Decree 024-2010 "Strategic Budget Program to Reduce Vulnerability and Improve Response to Emergencies Caused by Disasters within the Framework of the Results-based Budget," which promotes integrated disaster management through the results-based budget mechanism. Applying this mechanism will create an incentive for line ministries and regional and local governments to assume commitments whose results are verifiable in disaster risk management. In parallel, the Peruvian government has begun the first stage of technical analysis necessary to start development of a financial strategy for disaster risk management. This strategy will gauge the pre-disaster coverage the country requires to address financing needs in disaster-related

emergencies, as well as the most effective and efficient financial instruments to provide such coverage.

- 1.10 The country has also identified the following strategic priorities: (i) promoting the exchange and dissemination of information on risks for use in development planning and disaster preparedness and response; (ii) developing sector regulations and policies for urban and rural land management, while also addressing challenges associated with adaptation to climate change; (iii) strengthening risk management mechanisms in the National Public Investment System (SNIP); and (iv) building capacities to implement emergency and contingency plans at the sector and territorial levels.

## **5. Bank actions in the sector and lessons learned**

- 1.11 As part of the implementation of its Integrated Natural Disaster Management Strategy in 2008, the Bank initiated its technical sector dialog with Peru based on three knowledge products: (i) “Peru – Application of the System of Disaster Risk and Risk Management Indicators;” (ii) “Peru – Country Risk Profile;” and (iii) “Institutional Analysis of Disaster Risk Management in Peru.” The Bank has also been supporting the country since December 2008 with a Seismic Microzoning Study and Vulnerability Analysis for Urban Metropolitan Lima, financed with US\$1 million in nonreimbursable resources from the Bank’s Multidonor Disaster Prevention Trust Fund (ATN/MD-11383-PE).
- 1.12 Associated with the programmatic program’s design, in March 2010 the Bank channeled resources from the Disaster Prevention Fund to finance relevant diagnostic assessments and studies, support for development of the legal framework, support for the results-based budget program (see paragraph 1.9), and the design of the foundation for a financial management strategy for disaster risks (ATN/OC 12088-PE). This process also resulted in the formal request for resources from the Contingent Credit Facility for Natural Disaster Emergencies (document GN-2502), whose associated Integrated Risk Management Plan will be based on the results of this program. The Peruvian government has also expressed interest in the Bank’s support in identifying and prioritizing investment operations to reduce risks and prevent disasters.
- 1.13 The described set of activities was accompanied by a dialogue on international best practices. Internationally recognized experts were brought to Peru to exchange ideas and know-how with national authorities. The legal frameworks and management performance of several countries were evaluated, and the MEF was advised on its evaluation work for three alternative bills, culminating in the submission of a Draft Framework Law to the Assembly, validated for its cost-effectiveness and alignment with international best practices. The Bank also managed a CT/INTRA intraregional technical cooperation project between Peru and Colombia to exchange experiences.

## **6. Actions of other multilateral agencies**

- 1.14 There are various initiatives in Peru by multilateral agencies that have recently provided or are actively providing technical assistance and support. These include the Andean Community Disaster Prevention Project (PREDECAN) financed by the European Union. From this operation's inception, the World Bank has also established coordination with its contingent credit line (Catastrophic Deferred Drawdown Option, or CAT-DDO). Moreover, along with the Bank, the German Agency for Technical Cooperation (GTZ) and the Swiss Agency for Development and Cooperation (SDC) are part of the group of international agencies supporting the Peruvian government in the design of the strategic results-based budget program for risk management (see paragraph 1.9).

## **7. Operation design and its contribution to the country strategy and the results framework of the capital increase**

- 1.15 The proposed program is designed as an operation to support and promote the reform processes initiated by the Peruvian government, described in paragraphs 1.8 to 1.11. In particular, the program seeks to strengthen policy and institutional reform actions to address, in an integrated manner, the three basic components of risk management: (i) forward-looking management that seeks to avoid the formation of future risk; (ii) corrective management aimed at reducing existing risk; and (iii) reactive management, including preparedness, response, rehabilitation, and reconstruction capacity. Here, the objective is to influence the development of an effective governance framework based on implementation of the proposed Framework Law for Integrated Disaster Risk Management and the development of management instruments that improve the basic components of the country's RMI: Identification of Risks, Risk Reduction, Disaster Management, and Financial Management and Governance. The first programmatic loan will lay the foundation for policy commitments, especially based on the development of the proposal for a new legal framework. The next two programmatic loans will consolidate these reforms by working in multiple sectors with the agencies responsible for each management area. This operation constitutes an integrated application of the Bank's Risk Management Strategy, and in this regard the components and actions described below are consistent with the best practices and recommendations arising from that strategy.
- 1.16 The proposed operation also contributes to the strategic pillar of competitiveness described in the country strategy (document GN-2472-2), since an improvement in natural disaster risk management will reduce the country's vulnerability to the negative impacts and economic costs associated with such events. This operation also strengthens the State reform pillar of the country strategy by contributing to improved public management, since it promotes reforms of the legal and institutional framework in the primary public institutions responsible for risk management, including the MEF. Moreover, the operation is consistent with the CAN/CPE Strategy Note, "The Country Strategy with Peru and its Contribution to Sustainable Development" (June 2009), and the subsequent Strategy Note

“Adequacy of the Country Strategy with Peru” (September 2009), defining the priority development of a “green sustainability cluster” in the programmatic relationship with Peru.

- 1.17 The program also contributes to the corporate initiative to Protect the Environment, Respond to Climate Change, Promote Renewable Energy, and Improve Food Security by including policy elements aimed at adapting the country to climate change. Thus, the program also falls within the Strategic Framework for Supporting Climate Change Action in Latin America and the Caribbean (document GN-2561-1).

## **B. Program objectives and description**

- 1.18 **Program general objective.** The program’s objective is to strengthen and modernize the regulatory, institutional, and public policy framework for integrated disaster risk management. Specifically, the program will support a series of reforms aimed at strengthening the legal and institutional framework at the level of institutions with governing authority in sectors, including the financial management of risk and the results-based budget mechanism promoted by the Ministry of Economy and Finance (MEF). The program is set up as a programmatic loan, accompanying initiatives to strengthen the areas of intervention identified in the following paragraphs, starting with this first operation (loan PE-L1086). The attached Policy Matrix (Annex II) establishes the sequence of programmatic commitments for the entire program, structured into the following components:
- 1.19 **Component 1: Governance and development of the regulatory framework.** Under this component, the program will support two specific objectives: (i) reform of the legal and regulatory framework for integrated disaster risk management in the country and its implementation; and (ii) the design and implementation of the Strategic Budget Program for Integrated Disaster Risk Management within the Framework of the Results-based Budget. In the first case, with the Bank’s support, the Peruvian government has prepared the Draft Framework Law for Integrated Disaster Risk Management with a modern approach that would put Peru on the cutting edge of legislation on this issue (see paragraph 1.8). Its future implementation and the processes associated with its regulation and institutional development represent the heart of the commitments in the Policy Matrix. Moreover, the enactment of Emergency Decree 024-2010, “Strategic Budget Program to Reduce Vulnerability and Response to Emergencies Caused by Disasters within the Framework of the Results-based Budget,” puts in motion a mechanism that will have a significant impact on institutional incentives in various sectors and regional and local governments to assume commitments with verifiable results in disaster risk management (see paragraph 1.9).
- 1.20 **Component 2: Development of instruments and capacity-building for sector and territorial management.** This component’s objective is to support the country’s development and strengthening of management instruments, while

seeking to improve performance indicators in four focus areas that, as a whole, define the necessary framework for risk management:

- a. **Identification of risks.** In order to build national capacities in risk identification and provide the country with modern, efficient, information systems to take more effective prevention and early warning measures, the program addresses five specific objectives: (i) to facilitate the exchange and improve channels of communication among generators and users of information systems, through the implementation of standards and an information integration platform related to disaster risk management; (ii) to strengthen and modernize systems for the observation and monitoring of climatic and hydrometeorological phenomena; (iii) to strengthen and modernize systems for the observation and monitoring of phenomena of geological origin and early warning systems; (iv) to strengthen research and the creation of knowledge on oceanographic information allowing the monitoring of the El Niño / La Niña phenomenon; and (v) to strengthen research and the creation of knowledge on risk, the development of methodologies for risk analysis, and the identification of risk reduction measures in various sectors. To achieve these objectives, policy and management development commitments have been agreed upon with institutions having jurisdiction on such matters, specifically, the Presidency of the Council of Ministers (PCM), the National Meteorological and Hydrology Service (SENAMHI), the Geological, Mining, and Metallurgical Institute (INGEMMET), the Peruvian Institute of the Sea (IMARPE), and the Ministry of Housing, Construction, and Sanitation (MVCS).
- b. **Risk reduction.** Risk reduction represents an aspect of risk management that involves all development agents, both public and private, at sector and territorial levels. The proposed program does not aim to address the entire range of needs, and in this regard is focused on selected sectors fundamentally to promote safe land use. Here, the component addresses the following specific objectives in the Policy Matrix: (i) to promote the incorporation of integrated disaster risk management into the preparation of territorial management policies in coordination with the various levels of government, with specific attention to promoting the policies of the Ministry of the Environment (MINAM) and MVCS; (ii) to strengthen strategic planning and coordination among sectors at the various levels of government; (iii) to disseminate and strengthen standards and technical instruments incorporating safety and risk reduction criteria for the management of informal settlements; (iv) to disseminate and strengthen standards and technical instruments incorporating safety and risk reduction criteria for the management of population settlements in high-risk areas where mitigation is impossible; (v) to disseminate and strengthen standards and technical instruments incorporating safety and risk reduction criteria for the agricultural and livestock sector, with particular reference to climate change, flood control, and capacity-building for regional governments; and (vi) to develop and expand the coverage of

methodological instruments to include risk management in public investment projects within the framework of the National Public Information System (SNIP).

- c. **Disaster management.** This program component will support the development of measures that build capacities for disaster preparedness and post-disaster management. Its specific objective is to improve emergency and contingency plans and systems at the national, sector, and subnational levels. It includes the following commitments: (i) to strengthen management instruments at the level of INDECI to address emergency response and contingency needs at the national, sector, and subnational levels; (ii) to prepare the National Earthquake Prevention Plan and the MVCS Sector Emergency Plan; (iii) to prepare the Emergency Operation Plan for earthquakes and tsunamis for Lima and Callao; and (iv) to strengthen disaster simulation and drill activities, the preparation of guides, and the effective operation of Regional Emergency Operation Centers, among other activities.
- d. **Financial management of risks.** The specific objective of this component is to establish a National Financial Management Strategy for Disaster Risks. On the basis of this strategy, the ex ante level of coverage will be determined finance emergency spending, along with the most appropriate financial instruments to provide it (budgetary provisions, emergency reserve funds, contingent credit lines, risk transfer instruments), as well as the development of policies to secure public infrastructure, among other things. The proposed program will incorporate the financial management of risks component as a policy instrument in the proposal of a new regulatory framework for integrated disaster risk management in the country, and an analysis will be completed that contributes to the future determination of the scope of the financial coverage required by the country. In the programmatic loans that follow, the MEF will officially approve a national strategy.

## II. FINANCING STRUCTURE, RESULTS, AND RISKS

### A. Financing instrument

- 2.1 This operation is the first of three programmatic policy-based loans (PBLs), with two additional operations planned for 2011 and 2012. The amount of financing for this first loan is US\$25 million, with disbursements scheduled for 2010, upon execution of the respective contract and fulfillment of the general and policy reform conditions agreed upon with the government and included in the Policy Matrix, Results Matrix, and Verification Matrix. The option of a series of PBLs was selected because it will strengthen the policy dialogue with the government in a process of reforms and structural changes. The PBL also allows supporting actions moving the process in the right direction within a timeframe that will include the next political cycle. This program has defined the most relevant reform issues and initial policy commitments. The subsequent programmatic loans will include

commitments associated with the achievement of results and specific implementation targets.

- 2.2 The financing of this first PBL operation will draw upon the resources of the Single Currency Facility of the Bank's Ordinary Capital, subject to the operational framework of the Local Currency Facility (documents GN-2365-6 and GN-2365-12). Implementation of the policy commitments, institutional strengthening activities, and the final design of the subsequent programmatic loans will also be supported with a technical cooperation operation (PE-T1228) of US\$1 million from the Disaster Prevention Fund.

## **B. Expected outcomes**

- 2.3 The program's primary outcome at the end of the third programmatic loan will be its contribution to improving Peru's Risk Management Index with respect to the 2008 baseline (RMI > 26.67).
- 2.4 As a result of the actions included in the program's components, a substantially improved regulatory framework will be established, consistent with international best practices and resulting in decentralized, interagency, and multisector integrated risk management. Specifically, the program is designed to have a direct impact on some of the indicators measuring the country's risk management performance, as reflected in the RMI and its components of Identification of Risks (IR), Risk Reduction (RR), Disaster Management (DM), and Financial Protection and Governance (FP). The following table identifies some of the main indicators under these components on which the program is expected to have a direct impact, improving the levels observed in the 2008 baseline in each case.

**Table II.2. Sample of Baseline Indicators and Targets to be Met**

Description of indicator	Baseline	Target
Monitoring of threats and forecasts (IR2)	3	≥ 4
Evaluation and mapping of threats (IR3)	3	≥ 4
Vulnerability and risk assessments (IR4)	2	≥ 2
Integration of risk in the definition of uses and planning (RR1)	2	≥ 3
Intervention in watersheds and environmental protection (RR2)	2	≥ 3
Housing improvement and relocation of settlements (RR4)	2	≥ 3
Emergency response planning and early warning system (DM2)	2	≥ 3
Location and mobilization of budgetary resources (FP3)	2	≥ 2
Insurance coverage and strategies for transferring losses of public assets (FP5)	2	≥ 2
Insurance and reinsurance coverage for housing and the private sector (FP6)	2	≥ 2

- 2.5 The Results Matrix identifies and describes in detail the baselines and target levels to be achieved with the program, which will be measured and verified using the methodology described in the [Monitoring and Evaluation Plan](#).

## C. Economic rationale

- 2.6 Peru's Catastrophe Risk Profile (IDB, December 2009) provides a quantitative look at the expected losses resulting from low-probability extreme natural events with severe consequences, such as earthquakes in the country. The results of this work and its respective updates in recent months have enriched the policy dialogue and the prioritization of actions within the framework of the PBL. Specifically, the quantitative analysis of expected damages is based on the development of a Probabilistic Risk Model (PRM), with a series of modules to: (i) determine the threat associated with potentially occurring events; (ii) identify and describe the exposed elements or assets locally and regionally; (iii) generate vulnerability functions; and (iv) simulate risk functions and physical and economic effects.
- 2.7 In economic terms, once the expected physical damage is estimated (average potential value and scope) for each of the infrastructure assets or components included in the analysis, estimates are made of various parameters to plot the Loss Exceedance Curve (LEC), using Probable Maximum Loss (PML) as a measure for different return periods and the Average Annual Loss (AAL). Based on scenarios associated with a frequency or probability of occurrence, the economic loss was calculated for the exposed assets at the national level, considering each of the threat scenarios. The general summary of the national results is reflected in the following table.

**Table II.3. Summary of Probable Maximum Losses by Return Period**

Exposed value	US\$ millions	US\$458,234
Probable Maximum Loss		
Return period	Loss	
Years	US\$ millions	% of exposed value
50	US\$32,764	7.2%
100	US\$43,043	9.4%
250	US\$56,796	12.4%
500	US\$65,524	14.3%
1000	US\$77,970	17.0%

- 2.8 Considering the estimated exposed value and the occurrence of a catastrophic seismic event with a return period of 100 years, material losses in Peru would surpass US\$43 billion, equivalent to 31% of GDP. This data was adjusted for comparison to the catastrophic event experienced in Chile in February 2010, which caused material losses of US\$30 billion, equivalent to 12% of GDP. If we consider the difference in the RMI between the two countries (see Fig. I.1), we can deduce that one condition necessary for Peru to reduce its vulnerability and limit its exposure to economic damages is to significantly increase its capacity to manage risk in the components measured by the RMI. The expected economic benefits for analyzing the viability of the country's actions in risk management are equivalent to the reduction in probable maximum losses. On the cost side, annual public spending



on disaster risk management is equivalent to 0.02% of GDP (Cooper and Moron, June 2010), and it is estimated that the incremental cost to achieve the improved disaster risk management targets, according to preliminary projections of the MEF's Strategic Budget Program, could represent an additional 10% over the current level of spending. If it is assumed that the program's actions contribute to reducing the probable maximum loss estimated for the seismic event by 10%, with a return period of 100 years, the net present value (NPV, 12%) over a 10-year horizon would be US\$1.2 billion, equivalent to an internal rate of return (IRR) of 57%. The program would still be viable if the reduction of losses achieved were 1.2% of the probable maximum loss. This analysis is conservative since it does not consider the prevented loss of human life or losses prevented with respect to other types of phenomena.

**D. Socioenvironmental safeguard risks**

- 2.9 The proposed program does not carry adverse environmental risks. To the contrary, it has a positive impact through: (i) promoting and supporting the policies of the Ministry of the Environment related to the issue of territorial management and their implementation and coordination with key sectors such as housing and agriculture to promote safe and environmentally sustainable land use; (ii) developing hydrological and meteorological information systems; and (iii) coordinating with initiatives associated with climate change specifically addressed in the PBL, Support Program for the Climate Change Agenda in Peru (loan PE-L1080).

**E. Other risks and special issues**

- 2.10 The crosscutting aspects of the issue, in a framework of multiple stakeholders at all levels, makes the reform process inherently complex, posing a series of risks in the implementation of the desired changes. Moreover, the approval of the "Draft Framework Law for Integrated Disaster Risk Management" by Congress poses a significant political risk. These risks are mitigated in part by the government's strong political will to improve risk management and reduce the country's vulnerability. In this context, the PBL stresses support for consensus-building, ownership, and capacity-building processes by the institutions involved. Leadership of the reform process is driven by the MEF, in coordination with leading governing institutions like INDECI, PCM, MINAM, the Ministry of Agriculture and Livestock (MINAG), and MVCS. The program is complemented and will also be coordinated with actions the World Bank is undertaking through its CAT-DDO within the framework of the "Strategy to Reduce the Vulnerability of the State to Disasters" promoted by the Peruvian government.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Program execution and administration**

- 3.1 The Republic of Peru will be the borrower for the program. The executing agency will be the Ministry of Economy and Finance (MEF), acting through the National

Office of Public-sector Borrowing (DNEP) and the Sector Loan Coordination Unit (UCPS). The UCPS will be responsible for monitoring the commitments established in the Policy Matrix (see Annex II). In its capacity as executing agency, the UCPS will have the following responsibilities: (i) maintaining official communications with the Bank and submitting reports and evidence of fulfillment of the operation's conditions, and such other reports as the IDB may request under the agreed terms and conditions; (ii) promoting actions in furtherance of the policy objectives set in the program, and in particular those included as triggers for the second and third operations; and (iii) collecting, storing, and delivering to the IDB all information, indicators, and parameters contributing to the monitoring, measurement, and evaluation of the program outcomes by the Peruvian government and the Bank. Within the framework of its responsibilities, the UCPS will coordinate receipt of evidence of the commitments assumed by various government institutions, as specified in the Verification Matrix.

**B. Monitoring and evaluation of results**

- 3.2 The programmatic commitments defined in the Policy Matrix, as well as the Verification Matrix and the Results Matrix, establish the core parameters for oversight and evaluation of the program's results. Within the MEF, responsibility for monitoring and evaluating results falls to the UCPS. Monitoring and evaluating execution of the Strategic Budget Program applied to risk management is the responsibility of the Public Budget Office (DGPP), acting through its Results-Based Budget Unit. The MEF has the installed capacity, knowledge, and many years of technical experience necessary to address all the implementation requirements of a monitoring and evaluation system. The results-based budget is a methodology established by the DGPP that has been in effect since 2007. The Public Sector Budget Acts for fiscal years 2007 and 2008 (Laws 28927 and 29142), respectively, introduce basic elements for its implementation (MEF, 2008). The Policy Matrix agreed upon with the Peruvian government establishes a commitment to allocate budgetary resources for execution of the Strategic Budget Program in priority interventions at the level of selected sectors and regions for 2011, as well as the definition of monitoring indicators and a proposal for adaptation of methodologies to evaluate the interventions.
- 3.3 In addition to the methodology and the system established in the MEF for the Strategic Budget Program, (for evaluating program results, the System of Indicators for Disaster Risk Management, developed by the Bank and the Institute for Environment Studies [IDEA] of Universidad Nacional de Colombia in Manizales, will be used). Two RMI index measurements will be done, one in 2011 to contrast with the baseline indicators from 2010, and another in 2012, as the basis for analysis of the achievement of the development outcomes established in the program Results Matrix. The Bank has received an official request from the Peruvian government for US\$1 million in technical cooperation funding, to be financed by the Disaster Prevention Fund, including US\$200,000 for evaluation of the PBL's results and impacts. This technical cooperation operation (PE-T1228)

will be processed as an operation input with an approval date of September 2010. See the Evaluation and Monitoring Plan for details on the implementation of the RMI, its methodology, the timetable of activities, and the budget.

- 3.4 Upon completion of execution of this operation, the project team will produce a project completion report that will also serve as the basis for identifying the second PBL operation and the necessary adjustments to the Policy Matrix.

**C. Policy letter**

- 3.5 The Bank has agreed with the Peruvian government on the macroeconomic and sector policies included in the Policy Letter, which was submitted by the MEF, describing the main components of the country's strategy with respect to the program, and reaffirming its commitment to implement the activities agreed upon in the Policy Matrix.

### Development Effectiveness Matrix Summary

Indicator	Score	Maximum Score
<b>I. Strategic Relevance</b>	<b>Low</b>	
<b>1. IDB Strategic Development Objectives</b>	<b>3.7</b>	<b>10</b>
Country Diversification	0.7	2
Corporate Initiatives	2.5	2.5
Harmonization and Alignment	0.5	3.5
Beneficiary Target Population	0.0	2
<b>2. Country Strategy Development Objectives</b>	<b>4.6</b>	<b>10</b>
Country Strategy Sector Diagnosis	4.2	6
Country Strategy sector objective & indicator	0.4	4
<b>II. Development Outcomes - Evaluability</b>	<b>Highly Satisfactory</b>	
<b>3. Evidence-based Assessment &amp; Solution</b>	<b>6.9</b>	<b>10</b>
<b>4. Evaluation &amp; Monitoring Plan</b>	<b>5.8</b>	<b>10</b>
<b>5. Cost-Benefit or Cost-Effectiveness</b>	<b>10.0</b>	<b>10</b>
<b>6. Risks &amp; Mitigation Monitoring Matrix</b>	<b>7.5</b>	<b>10</b>
<b>III. IDB's Role - Additionality</b>		
<b>7. Additionality</b>	<b>6.0</b>	<b>10</b>
Technical Assistance provided prior the project	3.0	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	0.0	4
Improvements in environmental, health and labor performance	3.0	3

**I. Strategic Relevance:** This is the first operation of a set of 3 operations to support policy reforms (PBP) in Peru, country group A/B. The program is aligned with the Bank's corporate initiative on Climate Change. Country systems for financial administration will be used. The current Country Strategy mentions the country's vulnerability to natural disasters, as a risk for implementation, but it does not include a specific objective or an indicator.

**II. Evaluability:** The problem is well defined. The factors that contribute to the development of the problem are identified and dimensioned. The logic of the intervention is clear. The intervention includes a results matrix for the three operations that make the whole program. The matrix has SMART results indicators based on the application of the Risk Management Index, a methodology developed by the Bank. There is a specific plan to conduct a reflexive evaluation. The intervention has an economic analysis. Risk and mitigation measures have been identified but there are no specific indicators to monitor their implementation.

**III. Additionality:** Design of this operation was supported with technical cooperation. In addition, implementation of this project will support the creation of a new legal framework on land use which will have positive implications for environmental sustainability in the country.

**POLICY MATRIX**  
**PERU**  
**PROGRAM TO REDUCE THE VULNERABILITY OF THE STATE TO DISASTERS**  
**(PE-L1086)**

General objective	To strengthen and modernize the regulatory, institutional, and public policy framework for integrated disaster risk management. Specifically, the program will support a series of reforms aimed at strengthening the legal and institutional framework at the level of institutions with governing and sector authority, including the financial management of risk and the results-based budget mechanism promoted by the MEF.
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Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To maintain a stable macroeconomic framework.	Macroeconomic framework consistent with program objectives and with the guidelines established in the Sector Policy Letter.	Macroeconomic framework consistent with program objectives and with the guidelines established in the Sector Policy Letter.	Macroeconomic framework consistent with program objectives and with the guidelines established in the Sector Policy Letter.

**COMPONENT 1. GOVERNANCE AND DEVELOPMENT OF THE REGULATORY FRAMEWORK**

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To develop and strengthen the legal and regulatory framework for integrated disaster risk management.	<p>a. Generation of a regulatory proposal for integrated disaster risk management in the country, containing at a minimum:</p> <ul style="list-style-type: none"> <li>(i) Policy foundations for integrated disaster risk management, considering risk as a development issue.</li> <li>(ii) National policy guidelines and instruments considering integrated risk management processes: estimation, prevention, risk reduction, preparedness, response, rehabilitation, and reconstruction.</li> <li>(iii) The proposed structure of a national system for integrated disaster risk management, in which risk management responsibilities are assigned based on the competencies of development stakeholders at all levels of government.</li> <li>(iv) Determination of the need for mechanisms and instruments for adequate financial management of disaster risk.</li> <li>(v) The processes and mechanisms required to ensure adequate response capacity at all levels of government.</li> </ul> <p><u>Responsible party:</u> MEF, Office of the Vice Minister of Revenue</p>	<ul style="list-style-type: none"> <li>a. Drafting of proposed regulations for the Framework Law for Integrated Disaster Risk Management.</li> <li>b. Implementation of the system's structure</li> </ul>	<ul style="list-style-type: none"> <li>a. Dissemination and promotion of the Framework Law for Integrated Disaster Risk Management and its regulations at all levels of government.</li> <li>b. Generation of policy implementation instruments: plans, strategies, financing mechanisms, sector guides, among others.</li> </ul>

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To promote integrated disaster risk management by introducing it into the national budget through the Strategic Budget Program (PPE) within the framework of the Results-based Budget.	<p>a. Issuance of a rule of law stating that the inclusion of integrated risk management in the Strategic Budget Program (PPE) is a priority under the framework of the Results-based Budget.</p> <p>b. Design of the specific <i>Strategic Budget Program within the framework of the Results-based Budget</i> (PPE) for integrated disaster risk management, which has a conceptual, explanatory, prescriptive, and logical model.</p> <p><u>Responsible party:</u> MEF, Office of the Vice Minister of Revenue, Public Budget Office (DGPP).</p>	<p>a. Allocation of resources in the budget for execution of the <i>Strategic Budget Program within the framework of the Results-based Budget</i> in prioritized interventions at the level of selected sectors and regions by 2011.</p> <p>b. Definition of monitoring indicators for the <i>Strategic Budget Program</i>.</p> <p>c. Design of a technical assistance program for sectors and regional governments related to execution of the PPE interventions.</p>	<p>a. Allocation of resources in the budget for execution of the <i>Strategic Budget Program within the framework of the Results-based Budget</i> in prioritized interventions at the level of selected sectors and regions by 2012.</p> <p>b. Review and adjustment of the PPE.</p>

**COMPONENT 2. DEVELOPMENT OF INSTRUMENTS AND CAPACITY-BUILDING FOR SECTOR AND TERRITORIAL MANAGEMENT**

**Focus 1: IDENTIFICATION OF RISK**

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To facilitate the exchange and improve channels of communication among generators and users of information systems, through the implementation of standards and an information integration platform related to disaster risk management.	<p>a. Preparation of draft legislation, considering standards on the use, exchange, and access to spatial information and administrative records linked to the identification and analysis of disaster risks, and eliciting sector support (ministries) for feedback and analysis.</p> <p><u>Responsible party:</u> PCM, National Office of e-Government and Information Technology</p>	<p>a. Approval and dissemination of standards on the use, exchange, and access to spatial information and administrative records linked to the identification and analysis of disaster risks.</p> <p>b. Preparation of a proposed platform to integrate spatial information and administrative records linked to the identification and analysis of the State's disaster risks.</p>	<p>a. Monitoring and evaluation of the implementation of the standards on the use, exchange, and access to spatial information and administrative records linked to the identification and analysis of disaster risks at the national, regional, and local levels.</p> <p>b. Proposal for mechanisms to incorporate into the use, exchange, and access to information linked to the identification and analysis of disaster risks for nongovernmental organizations, international cooperation agencies, and the private sector.</p> <p>c. Development of the platform to integrate geographic information related to risk management as a component of the IDEP GEOPORTAL, based on available thematic maps, including the design of an evaluation and monitoring plan.</p> <p>d. Preparation of a procedural guide for implementation and feedback of the IDEP GEOPORTAL for public and private institutions, sectors, regional and local governments, and training on the platform's use and application. Evaluation/monitoring of the development of the IDEP GEOPORTAL platform.</p> <p>e. Start of dissemination of the information available on the IDEP GEOPORTAL to regional and local governments and other users.</p>



Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To strengthen and modernize systems for the observation and monitoring of climatic and hydrometeorological phenomena	<p>a. Preparation of a proposed technical standard to regulate the procedures for installation and operation of stations and hydrometeorological instrumentation in accordance with the technical standards of the World Meteorological Organization, for public and private entities, and submittal to the national standards agency, INDECOPI.</p> <p>b. Preparation of a project profile for strengthening of the National System for Climate Observation in Peru, including a diagnostic assessment of the current state of affairs.</p> <p><u>Responsible party:</u> SENAMHI</p>	<p>a. Approval and dissemination of the technical standard to regulate the procedures for installation and operation of stations and hydrometeorological instrumentation, and establishment of a record system for public and private entities that integrates information for an enhanced system to monitor the country's meteorological conditions, including the certified stations.</p> <p>b. Preparation of a proposed technical standard to regulate the procedures for calibration of stations and hydrometeorological instrumentation in accordance with the technical standards of the World Meteorological Organization, for public and private entities, and submittal to the national standards agency, INDECOPI.</p> <p>c. Preparation of definitive preinvestment studies (prefeasibility and feasibility) to strengthen the National System for Climate Observation in Peru, subject to prior technical and financial viability.</p>	<p>a. Integration of public and private sector hydrometeorological stations into SENAMHI's national network of stations, in accordance with interagency agreements and conventions and international technical standards.</p> <p>b. Implementation of the project to strengthen hydrometeorological stations in the country.</p> <p>c. Preparation and implementation of an Integrated Strategic Development Plan for SENAMHI, including a diagnostic assessment of the specific needs in knowledge, training, and scientific research to support risk management processes.</p>
To strengthen and modernize systems for the observation and monitoring of phenomena of geological origin and early warning systems.	<p>a. Preparation of a technical proposal for the creation of a volcanological observatory in Southern Peru, capable of monitoring and generating information to support decision-making for preparations, mitigation, and response to volcanic eruptions.</p> <p><u>Responsible party:</u> INGEMMET</p>	<p>a. Preparation of a preliminary draft of the law creating a volcanological observatory in Southern Peru.</p> <p>b. Preparation of a technical proposal for implementation of an early warning system for geological risks in the Chili River watershed in coordination with the Arequipa regional government and participating regional and national stakeholders, as a pilot project for INGEMMET-Regional government coordination.</p> <p>c. Preparation of the investment bill to improve and expand coverage of the country's volcano monitoring systems, subject to prior technical and financial viability.</p>	<p>a. Preparation of definitive studies and financial management to improve and expand coverage of the country's volcano monitoring systems.</p> <p>b. Documentation of experience in the Chili River watershed and identification of additional projects to be undertaken in the context of INGEMMET-Regional government coordination.</p> <p>c. Implementation of at least two INGEMMET-Regional government coordination projects for integration of the geological risk component into the early warning systems.</p>

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To strengthen research and the creation of knowledge on oceanographic information allowing the monitoring of the El Niño / La Niña phenomenon.	<p>a. Identification of the main IMARPE processes including the scientific processes required to monitor the El Niño / La Niña phenomenon and year-to-year and seasonal climatic variability.</p> <p><u>Responsible party:</u> IMARPE</p>	<p>a. Design of a Peruvian Oceanographic and Fisheries Information System (IMARSIS) that includes basic information for analysis of the El Niño / La Niña phenomenon and year-to-year and seasonal climatic variability.</p> <p>b. Development of the five modules of the IMARSIS system and the start of processing and transfer (migration) of historical data on basic oceanographic variables for analysis of the El Niño / La Niña phenomenon and year-to-year and seasonal climatic variability.</p> <p>c. Evaluation of the main internal management processes of IMARPE (strengths, weaknesses) and identification of options for improvement, including the entity's performance in the monitoring of the El Niño / La Niña phenomenon and year-to-year and seasonal climatic variability.</p>	<p>a. Implementation of a basic information dissemination program for analysis of the El Niño / La Niña phenomenon and year-to-year and seasonal climatic variability through the IMARSIS.</p> <p>b. Implementation of improvements to prioritized processes, thereby contributing to the improvement in quality and availability of information on the o El Niño / La Niña phenomenon and year-to-year and seasonal climatic variability.</p>

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To strengthen research and the creation of knowledge on risk, the development of methodologies for risk analysis, and the identification of risk reduction measures in various sectors.	<p>a. Preparation of the study on seismic microzoning and analysis of the physical vulnerability of homes and essential buildings, including a preliminary diagnostic assessment of the vulnerability of the sanitation system for a district of metropolitan Lima.</p> <p><u>Responsible party:</u> MVCS, Territorial Management Program</p>	<p>a. Seismic microzoning studies and analysis of the physical vulnerability of homes and essential buildings, including preliminary diagnostic assessments of the vulnerability of the sanitation systems for five additional districts of metropolitan Lima.</p> <p>b. Tsunami risk analysis for the Lima coastline.</p> <p>c. Update of the study on seismic microzoning for metropolitan Lima.</p> <p>d. Evaluation of the institutional resilience related to territorial management studies and instruments required for disaster risk management in eight regions and preparation of a pilot project for the generation of risk scenarios.</p>	<p>a. Generation of risk scenarios and indicators as an input for the housing, construction, and sanitation sector, making it available to local governments for the preparation of land use and urban development plans.</p> <p>b. Preparation of a pilot project for the use of risk scenario information in “urban territorial management.”</p>

**COMPONENT 2. DEVELOPMENT OF INSTRUMENTS AND CAPACITY-BUILDING FOR SECTOR AND TERRITORIAL MANAGEMENT**

**Focus 2: RISK REDUCTION**

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To promote the incorporation of integrated disaster risk management into the preparation of territorial management policies in coordination among the various levels of government.	<ul style="list-style-type: none"> <li>a. Preparation of policy guidelines for territorial management, incorporating disaster risk management.</li> <li>b. Preparation of the proposal for the National Territorial Management Guide that incorporates disaster risk management.</li> </ul> <p><u>Responsible party:</u> MINAM, Office of the Vice Minister of Strategic Natural Resource Development, Bureau of Territorial Management.</p>	<ul style="list-style-type: none"> <li>a. Preparation of a legislative proposal for territorial management incorporating disaster risk management.</li> <li>b. Approval of the National Territorial Management Guide that incorporates risk management (by ministerial resolution).</li> <li>c. Promotion of environmental action plans incorporating risk management in at least three regional governments.</li> </ul>	<ul style="list-style-type: none"> <li>a. Preparation of proposed regulations to the territorial management law incorporating disaster risk management.</li> <li>b. Implementing a technical assistance program in at least eight regional governments and four local governments on application of the territorial management law incorporating disaster risk management.</li> </ul>
	<ul style="list-style-type: none"> <li>a. Preparation of urban development legislation that incorporates the issue of risk management.</li> <li>b. Preparation of a manual for the drafting of urban development plans.</li> <li>c. Proposed amendment of the Land Use and Urban Development Regulations.</li> </ul> <p><u>Responsible party:</u> MVCS, National Urban Development Office</p>	<ul style="list-style-type: none"> <li>a. Preparation of proposed regulations to the General Urban Development Act.</li> <li>b. Approval of the amendment of the Land Use and Urban Development Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>a. Approval of the regulations to the General Urban Development Act.</li> <li>b. Dissemination of the new Land Use and Urban Development Regulations.</li> <li>c. Design and implementation of a technical assistance program for selected municipalities for the development of their urban development and land use plans.</li> </ul>
	No commitments in 2010	<ul style="list-style-type: none"> <li>a. Preparation of an agroecological zoning guide that incorporates the issue of risk management and adaptation to climate change.</li> </ul> <p><u>Responsible party:</u> MINAG, Environmental Affairs Bureau (DGAA)</p>	<ul style="list-style-type: none"> <li>a. Evaluation and adjustments to the agroecological zoning guide that incorporates the issue of risk management and adaptation to climate change.</li> </ul>

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
		<p>a. Preparation of a guide for the use of geological information in territorial management, in coordination with regional governments and national agencies in the context of territorial management.</p> <p><u>Responsible party:</u> INGEMMET</p>	<p>a. Review and feedback on the guide, based on at least one pilot project (testing), in one priority region or department, in coordination with regional governments and national agencies in the context of territorial management.</p> <p>b. Dissemination of the guide and technical training on its use in selected regions (pilot project), including local authorities, regional governments, and national agencies in the context of territorial management.</p>
To strengthen strategic planning and coordination among sectors at the various levels of government.	<p>a. Preparation of a technical proposal to update the sector plan for disaster prevention and response (2010-2021), which defines the duties of each agency with respect to risk prevention and reduction processes.</p> <p>b. Preparation and consensus-building for a sector agenda for integrated disaster risk management in urban development, housing, construction, and sanitation (thru 2012), which defines specific actions for implementation of the plan, terms for its execution, and responsible parties.</p> <p><u>Responsible party:</u> MVCS, Territorial Management Program</p>	<p>a. Approval of the sector agenda for integrated disaster risk management in urban development, housing, construction, and sanitation as a strategic plan or policy guideline, including a training plan.</p>	<p>a. Dissemination, monitoring, and evaluation of the sector agenda for disaster risk management in urban development, housing, construction, and sanitation.</p>
	No commitments in 2010	<p>a. Preparation, approval, and socialization of policy guidelines for risk management, mitigation, and adaptation of the agricultural sector to climate change.</p> <p>b. Drafting of the Sector Development and Capacity-building Plan to facilitate the process of integrating risk management and climate change issues into the planning, design, and execution of projects.</p> <p>c. Signing of at least five specific agreements between MINAG and regional and local governments, for the application of the instruments generated by MINAG for risk</p>	<p>a. Implementation of phase one of the policy guidelines for risk management, mitigation, and adaptation of the agricultural sector to climate change.</p> <p>b. Evaluation of the implementation of the Development and Capacity-building Plan by the Food Security and Climate Change Technical Working Group (GTTSACC) to incorporate the issue of risk management.</p> <p>c. Evaluation of the agreements signed by MINAG for the application of the instruments generated by MINAG for risk management, mitigation, and adaptation of</p>

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
		<p>management, mitigation, and adaptation of agriculture to climate change.</p> <p>d. Preparation of a guide for risk analysis in the development of PIP in the agriculture sector.</p> <p><u>Responsible party:</u> MINAG, Food Security and Climate Change Technical Working Group (GTTSACC), and the Planning and Budget Office (OPP)</p>	<p>agriculture to climate change.</p> <p>d. Validation, approval, and implementation of the guide for risk analysis in the development of PIP in the agriculture sector.</p>
To disseminate and strengthen standards and technical instruments incorporating safety and risk reduction criteria for the management of precarious settlements.	<p>a. Drafting of proposed regulations for the Legal Physical Rehabilitation Law for Blighted Properties for Purposes of Urban Restoration, incorporating risk management.</p> <p><u>Responsible party:</u> MVCS, National Urban Development Office</p>	<p>a. Generation of housing development mechanisms that incorporation disaster risk management.</p> <p>b. Approval of the regulations for the Legal Physical Rehabilitation Law for Blighted Properties for Purposes of Urban Restoration, incorporating risk management.</p> <p>c. Monitoring of the application of the Legal Physical Rehabilitation Law for Blighted Properties for Purposes of Urban Restoration.</p> <p>d. Technical assistance for regional and local governments on programs addressing urban blight in selected cities.</p> <p>e. Update of the study on marginal urban neighborhoods.</p>	<p>a. Technical assistance for regional and local governments on programs addressing urban blight in prioritized cities.</p> <p>b. Development of plans to orient actions of the Comprehensive Neighborhood and Town Improvement Program (PIMBP), based on the updated study.</p>
To disseminate and strengthen standards and technical instruments incorporating safety and risk reduction criteria for the management of population resettlement in high-risk areas where mitigation is impossible.	No commitments in 2010	<p>a. Preparation of a study on population resettlement in high-risk areas where mitigation is impossible.</p> <p>b. Development of proposals to update instruments for integrated disaster risk management for the sector based on the results of the project “Support for Integrated Urban Natural Disaster Risk Management.”</p> <p>c. Drafting of a guide for the identification and reduction of disaster risk in the preparation of</p>	<p>a. Preparation of an action plan based on the results of the study on population resettlement in high-risk areas where mitigation is impossible.</p> <p>b. Capacity-building for regional housing departments to support local governments in the application of the guide.</p>

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
		land use and urban development plans.  <u>Responsible party:</u> MVCS, Territorial Management Program	
To disseminate and strengthen standards and technical instruments incorporating safety and risk reduction criteria for the agricultural and livestock sector.	No commitments in 2010	a. Preparation of a guide for the execution of waterway treatment plans for flood control.  b. Preparation of the prefeasibility study for the <i>Program to Protect Valleys and Vulnerable Rural Populations from Floods</i> , in at least five prioritized valleys.  c. Preparation and validation of guidelines coordinated with regional and local governments, other sectors, and NGOs for frost management.  <u>Responsible party:</u> MINAG, Food Security and Climate Change Technical Working Group (GTTSACC), Environmental Affairs Bureau (DGAA), National Water Authority (ANA), Water Infrastructure Bureau (DGIH), and the Rural Agriculture Productive Development Program (AGRORURAL).	a. Evaluation and adjustments to the guide for the execution of waterway treatment plans for flood control.  b. Preparation of the prefeasibility study for the <i>Program to Protect Valleys and Vulnerable Rural Populations from Floods</i> , in at least two additional prioritized valleys.  c. Socialization and application of the guidelines for frost management, and protection of livestock.
To develop and expand the coverage of methodological instruments to include risk management in public investment projects.		a. Preparation of a technical proposal to update the <i>methodological guidelines</i> for incorporating integrated disaster risk management into public investment projects, adjusting the disaster risk and adaptation to climate change component, and eliciting support from key stakeholders to provide feedback on the proposal prior to approval and implementation.  b. Preparation of <i>methodological guidelines</i> for incorporating integrated disaster risk management into public investment projects, in drinking water and sanitation projects.  <u>Responsible party:</u> MEF, Bureau of Multiyear Programming	a. Publication and implementation of the <i>methodological guidelines</i> for incorporating integrated disaster risk management into public investment projects, adjusting the disaster risk and adaptation to climate change component, validated and publicized, including drinking water and sanitation projects.

COMPONENT 2. DEVELOPMENT OF INSTRUMENTS AND CAPACITY-BUILDING FOR SECTOR AND TERRITORIAL MANAGEMENT

Focus 3. DISASTER MANAGEMENT

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To improve emergency and contingency plans and systems at the national, sector, and territorial levels.	<p>a. Preparation of the 2010 National Earthquake Prevention Plan.</p> <p><u>Responsible party:</u> INDECI, National Emergency Operations Bureau.</p> <p>b. Approval of the Emergency Operations Plan for the housing, construction, and sanitation sector, prepared by the Ministry of Housing, Construction, and Sanitation.</p> <p><u>Responsible party:</u> MVCS, National Defense Office.</p>	<p>a. Preparation of the emergency operations plan for earthquakes and tsunamis for Lima and Callao as a pilot project.</p> <p>b. Performance of simulations and drills to validate the plan.</p> <p>c. Preparation of the National Emergency Operations Plan with a disaster risk management approach aimed at strengthening tools for its implementation.</p> <p>d. Preparation of guides for the drafting of regional and local emergency operations plans.</p> <p>e. Drafting of an operations manual for Regional Emergency Operations Centers (COER).</p> <p>f. Drafting of contingency plans for events in the housing sector.</p> <p>g. Preparation of a directory and inventory of assets and services to be mobilized for emergency response.</p> <p>h. Performance of simulations and drills.</p> <p>i. Drafting of a guide standardizing criteria, indicators, and protocols for damage assessment and emergency response in the agricultural sector (3 levels of government).</p> <p>j. Preparation, approval, and execution of the Sector Emergency and Contingency Plan</p>	<p>a. Validation of guides for the drafting of regional and local emergency operations plans and technical assistance.</p> <p>b. Validation of the operations manual for Regional Emergency Operations Centers and regional and local technical assistance.</p> <p>c. Detailed diagnostic assessment of Emergency Communication Systems in priority regions as a foundation for their strengthening.</p> <p>d. Approval of contingency plans by ministerial resolution.</p> <p>e. Socialization and dissemination of plans approved at the sector and intersector levels.</p> <p>f. Validation, approval, and application of the guide for damage assessment and emergency response in the agricultural sector.</p> <p>g. Performance of simulations and drills.</p>



Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
		<u>Responsible party:</u> MINAG, National Defense Unit (UDN)	

**COMPONENT 2. DEVELOPMENT OF INSTRUMENTS AND CAPACITY-BUILDING FOR SECTOR AND TERRITORIAL MANAGEMENT**

**Focus 4. FINANCIAL MANAGEMENT OF RISKS**

Specific objectives	Programmatic commitments I (2010)	Programmatic triggers II (2011)	Programmatic triggers III (2012)
To establish a National Financial Management Strategy for Disaster Risks.	<p>a. Incorporation of the financial management of risk component as a policy instrument, in the proposal for the new regulatory framework for integrated disaster risk management in the country.</p> <p>b. Analysis and exploration for the future determination of the financial coverage the country should have, to cover extraordinary emergency spending for disasters associated with natural phenomena.</p> <p><u>Responsible party:</u> MEF, National Public Debt Office – National Budget Office</p>	<p>a. Formal approval of the National Financial Management Strategy for Disaster Risks. As a minimum, the Strategy will include:</p> <p>(i) The clear definition of the level of financial coverage necessary and the most appropriate financial instruments to provide this coverage (budget provisions, emergency reserve funds, contingent credit lines, and risk transfer instruments).</p> <p>(ii) The definition of the guidelines for establishing a policy to ensure public service infrastructure and other strategic fixed assets.</p> <p>(iii) Projections using modeling and risk stratification tools appropriate for determining contingent liabilities.</p>	<p>a. Implementation of stage one of the National Financial Management Strategy for Disaster Risks.</p> <p>b. Preparation of a detailed proposal for the implementation of transfer instruments for catastrophic events.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_\_\_/10

Peru. Loan \_\_\_\_/OC-PE to the Republic of Peru  
Program to Reduce the Vulnerability of the State to Disasters 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 to reduce the vulnerability of the state to disasters I. Such financing will be for an amount of up to US\$25,000,000 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 on \_\_\_\_\_ 2010)

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