

**PROJECT SUMMARY**  
**PERU INVESTS IN WATER - AN INVESTMENT PLATFORM FOR RESILIENT COMMUNITIES**  
**(PE-T1378)**

In Peru, nearly 10 million people do not have access to drainage in their homes (one third of the population), and almost 4 million people lack potable water. An estimated US\$12.3 billion is needed to close the water and drainage infrastructure gap between 2017 and 2025. The State has worked to speed up investment, however, progress is slow, due to low institutional and management capacity in local governments to attract investment. In addition to restoring water and sanitation (W&S) systems damaged by torrential rains in the northern part of the country, these systems must be made more resilient, so that new flooding does not destroy them again.

Against this backdrop, the proposed project will receive support from the Multilateral Investment Fund (MIF) and, most likely, the Water and Sanitation Division, to create and execute the “PERU INVESTS IN WATER” mechanism, to speed up investment in W&S. This will serve as a space for three-party interaction between government, local communities, and businesses, which will empower and train the private sector to actively assist in closing W&S gaps, by speeding up investment in close collaboration with government agencies and beneficiary communities. The platform will capitalize on the legal framework for Obras por Impuestos [Works for Taxes] (Oxl).<sup>1</sup> The success of Oxl stems from the confidence it builds between the State and private enterprise, which this project seeks to facilitate and foster. One of the keys to Oxl is that it attracts and retains private businesses, and the project will help further this.

The expected actions for this project are to: (1) identify projects involving public investment in W&S in close coordination with local governments and the Inter-American Development Bank Group; (2) prioritize investments in the framework of the natural disaster reconstruction plan and existing public investment plans; (3) identify relevant social actors for each investment and obtain commitments from the community; (4) promote priority projects to the private sector, by reporting on recent changes in Oxl regulations; (5) manage relations between businesses, governments and communities, building confidence; (6) coordinate the establishment of agreements and execution of works between public and private entities; (7) implement a support system for Oxl processes; and (8) evaluate the impact of Oxl and seek to scale it up and, potentially, extend it to other productive sectors.

The project prioritizes three main regions in the north that have been affected by the coastal El Niño: Ancash, Piura, and Lambayeque, making it possible for at least 24 possible projects to be financed under Oxl, amounting to an estimated US\$32 million investment in W&S works.

In the final phase of the project, as an expected outcome of the lessons learned from this model, the IDB Group could finance expanding some of these infrastructure projects on a larger scale. The platform is expected to run independently after this project, by generating revenue from participants to cover the implementation costs of new W&S projects. It is also expected to be replicated in other countries in the region.

This project is aligned with the MIF inclusive cities area, through its incorporation of the aspirational indicator of the number of homes with better living conditions, which includes those with improved access to W&S. It is also aligned with the environmental sustainability

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<sup>1</sup> As a public investment mechanism, Oxl allows private enterprises to finance and execute priority public works and, subsequently, recover their investment through an income tax credit.

and climate change dimension under environmental stewardship and natural resource consumption, within the topic of W&S. Lastly, it is aligned with the fiscal sustainability and governability of local administrations dimension, as it will help bring about participatory public management and proper handling of expenditures.