

STRENGTHENING OF ENVIRONMENTAL INSTITUTIONS IN PERU

(TC-93-04-44-5)

EXECUTIVE SUMMARY

REQUESTER: The Government of Peru

DATE OF REQUEST: August 16, 1993

EXECUTING AGENCY: Consejo Nacional del Ambiente [National Environmental Authority] (CONAM)

BENEFICIARY: The Government of Peru

FINANCING:

IDB (Japanese Fund):	US\$1,800,000
Local contribution:	US\$ 400,000
Total:	US\$2,200,000

ENVIRONMENTAL CLASSIFICATION: The Environment Committee, at its meeting of August 19, 1995, classified this as a Category I operation.

OBJECTIVES: The general purpose is to contribute to the strengthening of the recently created CONAM by supporting the design and establishment of a national environmental system.

DESCRIPTION: The technical cooperation would be used to carry out the following subprograms:

1. Support for the provision of implementing regulations for the Law Establishing CONAM and the Forests Act.
2. Updating of the diagnosis of the institutional and legal status of the environment and natural resources in Peru.
3. Design of a proposal for a national environmental system, to include: (i) consultations on and conceptual design and articulation of the system; (ii) design of environmental impact assessment procedures; (iii) support for the drafting of regulations on parameters for environmental pollution; (iv) design of activities relating to information, training and provision of equipment; and (v) design of funding mechanisms for the national environmental system.

4. Design of the national environmental information system and installation and start-up of a regional module for the system.

**SPECIAL
CONDITIONS:**

- a. The executing agency is to demonstrate to the Bank, prior to the first disbursement, that the executing unit is operative and has been equipped with a skeleton professional staff (paragraph 3.3).
- b. The term for execution will be 22 months running from the date of signature of the agreement (paragraph 3.7), and the term for disbursement will be 28 months from that date.
- c. At the request of the executing agency, expenses of up to the equivalent of US\$100,000 could be recognized when incurred within the six months prior to approval of the technical cooperation funding.
- d. The executing agency will present to the Bank the following reports (paragraph 3.11): (i) the draft by-laws of CONAM, 90 days after the first disbursement; (ii) the report on the environmental diagnosis within 120 days after the first disbursement; (iii) audited financial statements, 90 days after the end of the project; (iv) a final report, within 90 days following the end of the project; and (v) draft regulations implementing the Forests Act.

BENEFITS:

The country will be provided with the basic elements of a system for the management of the problems associated with the country's environment and natural resources and to resolve conflicts between development and the environment, with a view to more sustainable development. While additional resources, which could be obtained under an international financing operation, will be needed to implement the national environmental system in all the regions, this technical cooperation will lay the foundations.

RISKS:

The principal risk will be that approval of the regulations to implement the CONAM Law may be delayed; to avoid this, the operation includes a component to support CONAM in preparing those regulations.

Another risk would be a discrepancy between the views of CONAM and the sectoral and municipal environmental bodies; to avoid this, the activities, conclusions, and recommendations that emerge from this technical

cooperation are to be established by consensus among the country's environmental authorities.

**THE BANK'S
COUNTRY STRATEGY:**

The Bank's operating strategy in Peru focuses on support for five priority areas: (i) continued economic reform and modernization of the State; (ii) social reform and poverty reduction; (iii) improvements in social services, particularly in education, health care, and sanitation; (iv) modernization of physical infrastructure; and (v) agriculture and sustainable development. This technical cooperation funding, by strengthening environmental institutions, would contribute to achieving the objectives entailed in (i), (iv) and (v).

The Bank considers it essential that Peru, like the other countries in the region, have a well-defined, efficient environmental authority. Such an authority would be able to design an environmental policy in tune with national development strategy, and to administer an authorization and monitoring procedure providing reasonable assurances that public and private investments will be made in a way that maximizes positive, and reduces undesirable, environmental impact.

I. BACKGROUND

A. The legal and institutional status of the environment and natural resources

- 1.1 Peruvian legislation on natural resources has been relatively well developed for more than half a century, but has been enforced only to a limited extent, especially as it applies to forest resources and wildlife. Only recently, on the other hand, has there been any development of law on environmental matters proper, including, among other aspects, environmental pollution, both urban and rural, and its mitigation. Until 1990, when the first Code on the Environment and Natural Resources was promulgated, legislation was scattered and inconsistent, and remained widely unenforced. The Code was a great step forward, but criticism since its promulgation has resulted in several amendments that have diminished its impact and made it difficult to apply. The Code has established no well-defined environmental authority and no financial mechanism for its effective application.
- 1.2 Authority in the environmental sphere is exercised in the Executive Branch through the environmental bureaus of several ministries, such as those of the Presidency, Agriculture, Fisheries, Defense, the Interior, Health, Foreign Affairs, Energy and Mines, Industry, Tourism, Integration and International Trade Negotiations, and of Transportation, Communications, Housing and Construction. Each sector decides within its own sphere, acting as both "judge and plaintiff" without allowing those affected by its decisions any clearly defined channels for administrative appeal. This matter is particularly important in the charting of sectoral environmental policies and strategies and in assessments of the environmental impact of infrastructural works.
- 1.3 Operations and investments in both the public and private sectors are subject to little or no environmental control other than that prescribed in municipal provisions. The environmental offices in municipalities have limited geographic jurisdiction and lack authority to resolve environmental conflicts between sectors. Peru has no coherent environmental policy compatible with the principles of sustainable development.

B. The Law Establishing the Consejo Nacional del Ambiente

- 1.4 To remedy the existing institutional situation the Peruvian government enacted Law No. 26410, which on December 22, 1995, created the Consejo Nacional del Ambiente [National Environmental Council] (CONAM) as the national environmental authority.
- 1.5 This Law establishes CONAM as a decentralized public agency with its own legal status and with functional, economic, financial, administrative and technical autonomy, reporting to the President

of the Council of Ministers. It is the regulatory authority on national environmental policy, and its purpose is to plan, promote, coordinate, control and oversee the country's environment and natural resources. The text of the Law is on file in RE3/EN3.

- 1.6 CONAM consists of a Board of Directors, an Executive Secretariat, and a Consultative Committee. The Board of Directors is made up of seven members representing the central, regional and local governments and the private sector. The Executive Secretary is appointed by the Board of Directors and the Consultative Committee is governed by the By-laws.
- 1.7 The principal functions of CONAM are to frame, coordinate, direct and evaluate national policy on the environment; to coordinate the operations of the sectors and the central government; to set general standards and guidelines on environmental management and quality; to establish general criteria for the preparation of environmental impact assessments (EIAs); to foster environmental education and research; to rule as the final administrative authority on challenges to administrative acts relating to the environment; to propose draft legislation; to require the institution of civil and criminal administrative proceedings; to promote and consolidate environmental information and set up the national environmental action plan. These responsibilities require the establishment of a national environmental system under the direction of CONAM.
- 1.8 Implementation of the national environmental system will require the performance of a study of needs in terms of technology, equipment, materials, human resources and training, as well as of the financing requirements. It will take place in stages, over a period of five to 10 years, starting with the national level and following with the regional. To implement the system at the national level it will probably be necessary to design an investment project, perhaps with international financing. The system would be implemented in the provinces and districts by means of modules.
- 1.9 The ministries would continue to define sectoral environmental policy and prepare EIAs for the projects in each sector. CONAM will establish general standards for the preparation of EIAs.
- 1.10 In February 1995 the Government issued Supreme Decree 13-95-EF transferring budget items totalling 470,000 new soles to CONAM. In May 1995 the Government of Peru issued supreme decisions appointing the members of CONAM. In September 1995 the Board of Directors of CONAM appointed its Executive Secretary and two other senior executives. Also in September, the Bank received confirmation of CONAM's interest in this technical cooperation and agreement with the present document.

C. The Bank's strategy in Peru

- 1.11 The Bank's operating strategy in Peru focuses on support for five priority areas: (i) continued economic reform and modernization of the State; (ii) social reform and poverty reduction; (iii) improvements in social services, particularly in education, health care, and sanitation; (iv) modernization of physical infrastructure in support of production; and (v) agriculture and sustainable development. This technical cooperation funding, by strengthening environmental institutions, would contribute to achieving the objectives entailed in (iii) and (v).
- 1.12 The Bank considers it essential that Peru, like the other countries in the region, have a well-defined, efficient environmental authority. Such an authority would be able to design an environmental policy in tune with national development strategy, and to administer an authorization and monitoring procedure providing reasonable assurances that public and private investments will be made in a way that maximizes positive, and reduces undesirable, environmental impact. This institution would expedite arrangements for the projects in the Bank's operating program for Peru.

II. THE PROGRAM

A. Objectives

- 2.1 The general objective of the operation is to support the commencement of operations by the recently created CONAM and implementation of a national environmental system to coordinate the formulation of policies and standards to protect the environment and promote sustainable development, and to establish the basis for their control and monitoring by the competent bodies in the public sector.
- 2.2 The specific objectives of this operation are:
 - a. To help draft the regulations to implement the Law on CONAM and the regulations to implement new forests legislation;
 - b. To complete and update the diagnosis of the institutional and legal status of the environment in Peru;
 - c. To design a master plan for the national environmental system, including its conceptual design and operating procedures for a system of environmental impact assessments and permits, frame draft regulations on parameters for environmental pollution, and begin setting up the national environmental information system;

- d. Implement in one regional module, understood as a network encompassing the environmental units of three sectors of the central government with those of one region of the country, the basic features of the national environmental system, chiefly the administration of EIA and environmental information system procedures.

2.3 The expected results of this operation are:

- a. Approval of the regulations to implement the Law on CONAM and of the regulations to implement the new Forests Act;
- b. The updating and publishing of a diagnosis of the institutional and legal status of the environment and natural resources of Peru;
- c. Preparation of a master plan for the national environmental system, which will include the following components:
 - (i) Consultation on and conceptual design and articulation of the system;
 - (ii) A procedure for environmental impact assessments and related environmental authorizations for investment projects;
 - (iii) Regulations on parameters for environmental pollution;
 - (iv) Design of a training program on the national environmental system with teaching guidelines, and its dissemination in the form of a printed document; and
 - (v) A proposal of mechanisms for financing the national environmental system.
- d. Implementation and operation of the national environmental information system module in the Lima-Grau region. Includes: (i) purchase of hardware, software, data input, and operation of the module; (ii) training of staff from the Technical Secretariat, the sectoral environmental units, the regional environmental unit for the module, and the municipal environmental units for the module.

B. Description

- 2.4 To accomplish the stated objectives, the program will consist of four subprograms: (a) support for the drafting of regulations to implement the Law on CONAM; (b) updating of the diagnosis of the institutional and legal situation of the environment and natural resources; (c) formulation of the proposal for the national environmental system; and (d) implementation of that system in the selected Lima-Grau region (Piura and Tumbes) module.

1. Subprogram I. CONAM by-laws and Forests Act regulations

- 2.5 Work will begin with the hiring of individual consultants to draw up draft regulations implementing the Law on CONAM to define its role as the regulatory body within the environmental management system, and to spell out the rules and procedures for the harmonization and integration of environmental jurisdiction of the various public agencies to enhance their efficiency over time. Two national environmental lawyers will be hired for this purpose.
- 2.6 Since Peru is in the process of drafting a new Forests Act, a team of consultants (3 international consultant/months and 22 national consultant/months) will be hired to prepare the regulations to implement the Act, in accordance with terms of reference to be agreed upon with the Bank.

2. Subprogram II. Diagnosis of the institutional and legal situation of the environment and natural resources

- 2.7 The basic elements are already on hand for the preparation of this activity, and have already been used to draft bills of law on creation of the national environmental authority, presented by different sectors to complement the Code on the Environment and Natural Resources. However, more in-depth work will need to be done to meet the requirements for coordination and interaction posed by the national environmental system; this work will be done by a consulting firm or specialized agency.
- 2.8 This technical cooperation will support the completion and updating of the study of the current institutional and legal framework in relation to the environment in Peru: (a) the line ministries and decentralized public agencies concerned; (b) the basic scientific and technological institutions that generate information on the environment and natural resources in Peru; (c) regional governments; and (d) municipal governments.
- 2.9 This diagnostic work will be of fundamental importance for the tiered structuring of environmental standards at the local, regional and national levels, as well as sectorally and multisectorally, for effective coordination of their application, monitoring and control. This diagnosis must also identify the most common conflicts between sectors, any existing machinery for consultation and, in general, actual institutional capacity to undertake assigned tasks.
- 2.10 Special attention will be given to the organizational rank and basic activities of the sectoral environmental units, both at the ministerial level and in the decentralized agencies concerned. The diagnosis will be published for dissemination and analysis, and will serve also as a basis of comparison for evaluation of the results of the operation in the future.

3. Subprogram III. Preparation of the master plan for the national environmental system

- 2.11 This subprogram requires the largest share of the technical cooperation resources and will be carried out by an environmental consulting firm with extensive experience in the subject. Within the legal and institutional framework for the conduct of environmental management under CONAM in Peru, the master plan must present, on the basis of the diagnosis and consultations: (a) the conceptual design of the system and its mechanisms for coordinating the local, regional and national institutional levels; (b) the procedure for review of project EIAs; (c) the draft regulations on parameters for environmental pollution; (d) the training and information program for the national environmental system; and (e) mechanisms for financing that system.

a. Conceptual design of the national environmental system

- 2.12 The purpose, organization and nature of services provided under the system will be defined on the basis of the relevant national information and consultations held in each region of the country. The conceptual design of the system is to take into account the organization of relations between information, control and environmental planning in the country.
- 2.13 Once the system has been designed, mechanisms will be proposed for harmonizing the local, regional and national environmental units identified in order to set up the system and give it shape structurally and functionally. The system will have CONAM as its linchpin, and will include the sectoral environmental units and their decentralized environmental agencies, as well as the environmental units of the regional and municipal governments.
- 2.14 In order for the system to enter into force, in addition to reorganizing and standardizing the environmental units mentioned, the environmental regulations and administrative procedures in effect will have to be adapted to the new structure and to the new provisions to be issued by CONAM as the national environmental authority. A similar exercise will need to be carried out for the regional and local governments. CONAM will play a fundamental part in the consolidation and startup of the national environmental system.

b. Design of the procedure for assessing the environmental impact of projects

- 2.15 A procedure will be analyzed, designed and applied both for the performance of project environmental impact assessments and for their review and approval, taking into account the system offices, in order to issue environmental authorizations. The technical cooperation funding will be used to hire experts to do this and to provide the means to conduct the consultations with the sectors

affected by these measures, in particular the public sector, private entrepreneurs, and nongovernmental organizations (NGOs).

- 2.16 The technical cooperation funding will be used to support the ministries and the Executive Secretariat of CONAM in designing guidelines for preparation of terms of reference for EIAs and the procedure for the authorization of EIAs for investment and sector projects, for approval by CONAM.
- 2.17 A procedure and mechanism will also be established for the control of environmental monitoring and auditing during project execution and operation. In addition, procedures will be designed for ex ante and ex post evaluation of environmental safeguards under environmental protection plans recommended by project EIAs.

c. Regulations on environmental pollution parameters

- 2.18 Among the transitional provisions of the Law on CONAM it is established that, within 60 days following its installation, a multisectoral technical commission will be appointed to draw up the national regulations on environmental pollution parameters.
- 2.19 The drafting of these regulations will require the performance of technical studies on the basis of which parameters and standards can be recommended both for pollutants and for the environments into which they are discharged. A team of consultants will be assembled to work with the technical commission and conduct the activities described hereinafter.
- 2.20 Peru's existing parameters and standards contained in sectoral, regional and municipal legislation and regulations will be compiled and analyzed. The analysis will include an evaluation of the extent of compliance with them and identification of obstacles to their implementation. Parameters and standards in international use will be compiled, and the strategies for their implementation will be analyzed.
- 2.21 Studies will be done for the recommendation of standards and parameters on water, air and soil pollution. These studies will bear on the types of pollution present in the country, mobile and intermittent sources, and the status of receiving environments.
- 2.22 A study will be made of the health, economic, social and environmental implications of applying the parameters and standards. Mechanisms for their application, monitoring and control will be examined. Special attention will be given to the standards to be applied to public services and industries, for which extensive consultations and negotiations will be conducted to work out agreements on implementation periods and permissible discharge levels.

- 2.23 The work is expected to produce: (a) draft regulations on parameters for environmental pollution; (b) a report containing a technical, social and environmental rationale for the parameters; and (c) a strategy for implementation of the regulations.

d. Design of the training and information program for the national environmental system

- 2.24 A training and information program that provides for teaching and information materials will be designed and implemented as part of the master plan for the national environmental system. On the training side, a course on environmental management and two technical seminars will be designed and conducted for the users of the regional module. For the dissemination of information on the system, some 12 general seminars will be conducted, one in each region of the country, for participants from the public and private sectors (mainly universities and NGOs), and a document describing the system will be published and distributed at the national level.
- 2.25 Information on the system and its components, services and public participation will be disseminated through the distribution nationwide of a publication as called for under the master plan. This information will relate to the concept, purpose and features of the national environmental system and how it serves the country. It will also explain how all sectors of society can participate in the optimal accomplishment of its objectives. The printing must be of not less than 5,000 copies for distribution to public and private institutions and to universities, public libraries and environmental NGOs throughout the country.

e. Design of funding mechanisms for the national environmental system

- 2.26 It is essential that the national environmental system and its institutions and services be able to sustain themselves financially over time, especially once the external financing runs out. There are various ways to obtain funds for this purpose, in addition to government budget allocations and the traditional mechanisms of collection by charging fines and fees for environmental authorizations. The consultants will also examine the possibility of using economic incentives such as marketable pollution quotas.

4. Subprogram IV. Design of the national environmental information system and implementation of the regional interconnected module

- 2.27 The national environmental system will have to be endowed with a computerized environmental information system that is integrated, coordinated and controlled at the national level. This system would provide the information needed to make decisions on protection of the environment in operations in both the public and the private sector.

- 2.28 This integrated environmental information system would give the participating institutions and their users access to the data base as needed, which would facilitate the implementation of environmental policies to safeguard the environment and the natural resources.
- 2.29 The national environmental information system would also provide a variety of specific services such as methodological and technical support in the preparation of EIAs for projects, environmental surveillance and monitoring operations, alternative courses for the mitigation of environmental emergencies, and alternatives for resolution of environmental disputes between different activities and the institutions and jurisdictions involved. The system would permit the analysis of patterns and trends in the environmental impact of both policies and projects in any part of the country. The automation described would permit effective use of information and efficient coordination and environmental control at the local, regional and national levels.
- 2.30 The principal users of the information system would be CONAM, the environmental units of the ministries and their decentralized environmental organizations, and the environmental units of the regions and principal municipalities. The system would provide users with basic data on the environment and natural resources in the areas of influence of projects, generated by technical and scientific bodies. It would also make available sectoral environmental standards of the ministries, CONAM multisectoral standards, and standards set out in the Environmental Code and other relevant environmental regulations, for analysis, processing, dissemination and application.
- 2.31 The information system would be designed on the basis of the conceptual design of the national environmental system. A diagnosis and evaluation would first be made of the environmental information requirements of users at the national level, taking into account constraints in terms of human, material and financial resources, with a view to making the information system feasible in Peru at the present time. An evaluation would be made of the installed capacity in terms of data already input, hardware and software, and means of communication, among others, to perform that service. A preliminary estimate would then be made of the cost of implementing the system at the national level.
- 2.32 Based on the design of the information system at the national level, an interconnected regional module would be designed under this technical cooperation, including a detailed calculation of costs and a timetable for implementation. This would be the Lima-Grau Region (Piura and Tumbes provincial municipalities) module, which would link the Ministries of Fisheries, Agriculture, and Energy and Mines, and their decentralized technical and scientific agencies INRENA, IMARPE and INGEMMET, respectively, in Lima, with the environmental units of the three sectors in the Grau Region and

the environmental units of the provincial municipalities of Piura and Tumbes.

- 2.33 The Grau Region was selected for the first module of the national environmental system to be implemented at the regional level because it has a good data base on the environment and natural resources. It has a qualified staff and institutional support as well.
- 2.34 The Grau Region has 10 provincial municipal councils and an ecodevelopment plan that includes comprehensive management of its major watersheds. Natural resources of high economic value are developed in this region. To the north, Tumbes, on the Ecuadorian border, carries on major lines of fishery and farm production for export and, in addition, has three biosphere reserves. To the south, Piura has major ports such as Bayóvar, where oil from the north Peruvian oil pipeline is exported, and engages in farming for export, fisheries and phosphate mining.

III. PROGRAM EXECUTION

A. The executing agency

- 3.1 Under its establishing law, CONAM is the regulatory authority for national environmental policy. Its objectives are: (a) to promote conservation of the environment in order to contribute to overall human development by guaranteeing an adequate quality of life, and (b) to favor a balance between socioeconomic development, sustainable use of natural resources, and preservation of the environment. Its principal functions are summarized in paragraph 1.7.
- 3.2 The Law states that funding for CONAM is to be allocated under the national budget through transfers from the public treasury and grants, bequests and international cooperation funding. The Ministry of Economic Affairs and Finance would make the budget appropriations to pay for its operation.
- 3.3 It is a condition precedent to the first disbursement that an essential minimum professional staff shall have been appointed and have taken up their duties in CONAM.
- 3.4 The professional and administrative staff and facilities of CONAM will be provided as the national counterpart for the technical cooperation, estimated at US\$400,000. CONAM's Executive Secretariat is to defray the cost of offices, communications, furniture and fixtures.

B. Consultancies

- 3.5 The following consulting services would be hired to carry out the operation: (a) two consultants to draft the CONAM by-laws; (b) a consulting firm for 12 months to conduct a diagnosis of the current institutional and legal situation in the environmental sphere in Peru, and (c) a consulting firm for 20 months to draw up the master plan for the national environmental system and implement the interconnected regional module and the training and information program. The director of this consulting firm would also serve as advisor to CONAM during the technical cooperation execution period.

C. Execution timetable

- 3.6 This operation has been scheduled for execution over a period of 22 months. The two consultants to draw up the CONAM by-laws will be hired not later than four months after signing of the agreement. The two consulting firms are to be engaged not later than six months after signing.
- 3.7 Three months after the first disbursement, the regulations would be drawn up by the consultants; the diagnostic assessment would be completed four months after the first disbursement; and the second consulting firm would complete its work in month 22.
- 3.8 The consultants to prepare regulations to implement the Forests Act will be hired during the first year of execution. The hiring date will be determined by the approval date of the Forests Act. The work will be done over a six-month period.
- 3.9 Ideally, this cooperation would be followed by a larger operation, probably an investment project with international funds, to expand the national environmental information system to all regions of the country and major municipalities. In any case, it is for the Peruvian Government to follow up on this technical cooperation by completing the implementation of the national environmental system.

D. Retroactive financing

- 3.10 To expedite the implementation of the technical cooperation, consultants will be hired during the six-month period prior to the operation's approval to prepare the CONAM by-laws and update the diagnostic assessment of the legal situation in connection with environmental matters, as well as carry out other activities relating to program start-up. To this end, it is proposed that, at the executing agency's request, expenses for up to US\$100,000 equivalent could be recognized, provided that requirements substantially similar to those set forth in the agreement have been met.

E. Reports

- 3.11 The executing agency will present to the Bank the following reports:
- a. Within 90 days after the first disbursement, the draft CONAM by-laws.
 - b. Within 120 days after the first disbursement, the report updating the institutional and legal diagnostic assessment.
 - c. Financial statements, audited by an independent firm to be agreed upon by the Bank and the beneficiary, within 90 days following the last disbursement.
 - d. Within the 90 days following the end of the program, the executing agency will present to the Bank a final report containing an evaluation of the results obtained.
 - e. Within 180 days after the drafting of the regulations to implement Forests Act begins, the draft regulations.
- 3.12 Outlined in Annex III are the evaluation indicators to be included in the reports submitted to the Bank.

F. Costs

- 3.13 The cost of the technical cooperation has been estimated at the equivalent of US\$2,200,000. The Bank's nonreimbursable contribution has been estimated at the equivalent of US\$1,800,000, which has been tentatively approved by the Japanese Fund. The counterpart contribution is estimated at the equivalent of US\$400,000.
- 3.14 The Bank's contribution would be used to cover the following costs: (a) consulting services, including fees, air fares, per diem allowances, and general expenses; (b) purchase of equipment, furniture and supplies for offices and for training; and (c) air fares and per diem allowances for the participants in the training courses. The counterpart resources would cover the expenditures referred to in paragraph 3.4.
- 3.15 The budget items are distributed as follows by sources of financing:

CONSOLIDATED BUDGET (in US\$)				
CATEGORY	BANK	LOCAL CONTR.	TOTAL	%
1. PROFESSIONAL SERVICES	1,230,000	0	1,230,000	55.9
1.1 Emoluments	1,230,000	0	1,230,000	55.9
a. International consultants	311,000	0	311,000	14.1
b. Local consultants	167,000	0	167,000	7.6
c. Air fares, per diems and overhead	752,000	0	752,000	34.2
3. TRAINEESHIP RECIPIENTS AND PARTICIPANTS	80,000	0	80,000	3.6
3.1 Courses and seminars	80,000	0	80,000	3.6
6. GENERAL SUPPORT	445,000	363,000	808,000	36.7
6.1 Premises (offices)	0	220,000	220,000	10.0
6.3 Information system	445,000	0	445,000	20.2
6.6 Local personnel	0	100,000	100,000	4.6
6.7 Auditing services	0	36,000	36,000	1.6
6.9 Others (air fares and per diems)	0	7,000	7,000	0.3
7. PUBLICATIONS	12,000	0	12,000	0.5
7.1 Printing and distribution	12,000	0	12,000	0.5
SUBTOTAL	1,767,000	363,000	2,130,000	96.8
98. Contingencies	33,000	37,000	70,000	3.2
TOTAL	1,800,000	400,000	2,200,000	100.0
Percentages	82	18	100	

IV. BENEFITS AND RISKS OF THE OPERATION

A. Benefits

- 4.1 The technical cooperation proposed in this document will help strengthen, organize and improve environmental management in Peru, which is fundamental to environmental protection and the rational development of the country's natural resources for the benefit of the entire population. The inhabitants of the Grau region would benefit directly from implementation of the national environmental information system in the interconnected module, which will afford improved environmental control of investment projects in the region. In addition, through the program of training and information for the national environmental system during its execution, the operation will directly benefit some 700 persons. These include users of the module, public officials and persons in the private sector, mainly NGOs and universities.

by the CONAM Board of Directors and the Office of the President of the Republic.

- 4.8 Other risks are associated with the possibility that an agreement may not be reached on the principal objectives and actions called for under the present plan of operations. However, the activities proposed have been discussed extensively with the sectoral environmental agencies and focus on supporting the principal functions of CONAM. The President of CONAM has confirmed his agreement with the purposes and activities proposed in this operation.
- 4.9 This is the first operation in support of the national environmental system, and includes financing for a pilot module. Additional resources will be required to bring the system into full operation. The Government of Peru has expressed its interest and intention to continue and expand the activities initiated under this operation.

- 4.2 Strengthening environmental management and improving its coordination in Peru will yield economic benefits in the short and long run. The benefits in the short run include savings on the time and cost of preparation of investment projects financed with international resources, which require a detailed assessment of environmental impact before they can be approved. Building capacity within Peru to meet these requirements will be a net benefit for all participants in these operations.
- 4.3 In the medium and long term the capacity for development with less adverse environmental impact will result in considerable savings in dealing with natural disasters, pollution control, public health care expenditures, and maintaining productivity in agriculture, forestry and fisheries.
- 4.4 Peru, and in particular the participating institutions in the city of Lima, have human and technical resources, and equipment, that would facilitate the successful execution of the technical cooperation. It is important to note that, once installed and in service, the national environmental system, and the interconnected regional module in particular, would consist of institutions and personnel that already exist. New staff are only expected to be hired in CONAM's Technical Secretariat, which would receive support from consultants hired with resources under the present operation.
- 4.5 The environmental viability of this project is clear. It would make it possible for Peru, for the first time, to frame and apply an environmental policy based on reliable information obtained from the regions, which would be able to express their own views. The decentralization of the system, both geographically and by sector, would keep alive the enthusiasm of each participant. Clearly defined mechanisms would exist for the resolution of disputes between regions and sectors and, in general, greater sustainability in development would be achieved.
- 4.6 From the Bank's point of view, this is an operation of great importance. As matters now stand, the Bank itself must promote, review and approve the EIAs for its operations in Peru, without having the advantage of the prior opinion of a competent national authority. The same is true of Peru's environmental policy and strategy, which the Bank needs in designing its program of operations for the country. At present such oversight is done by sector or with very little coordination.

B. Risks

- 4.7 The principal risk to the operation is posed by a possible delay in approval of the regulations to accompany the Law on CONAM. The lack of regulations would prevent the work of the Executive Secretariat from proceeding smoothly and efficiently. To reduce this risk a consultancy has been included under the technical cooperation to help draft the regulations, which would be approved

EVALUATION INDICATORS

OBJECTIVES	INDICATORS	VERIFICATION	ASSUMPTIONS
GOAL: To improve the management and coordination of environmental institutions in Peru	Inter-institutional CONAM work sessions. Processing time for environmental studies.	Minutes of meetings. Comparative time for authorizing EIAs.	Effective commitment by national and regional governments and the private sector
PURPOSE: To strengthen CONAM's institutional capacity	Trained officers working. Teams and systems operational.	Annual reports on work.	Timely allocation of human and financial resources
COMPONENTS: Regulations implementing the Act; updating of institutional and legal diagnostic assessment; and National Environmental System Master Plan	Draft CONAM by-laws. Draft EIA regulations. Draft regulations on environmental pollution parameters. National environmental system operating module	Decree containing CONAM by-laws. Decree containing EIA regulations. Decree containing pollution parameters. Lima-Grau Region system module functioning	Commitment by CONAM Board to approve the by-laws.

PROPOSED RESOLUTION

PERU. NONREIMBURSABLE TECHNICAL COOPERATION FOR A
STRENGTHENING PROGRAM OF ENVIRONMENTAL INSTITUTIONS

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the grant funds made available by the Government of Japan, to enter into such agreements as may be pertinent for the execution of the plan of operations referred to in Document AT-_____ with respect to a technical cooperation with the Republic of Peru for a strengthening program of environmental institutions.

2. That up to the sum of US\$1,800,000, is authorized for the purposes of this resolution, chargeable to the above-mentioned fund.

3. That the above mentioned sum is to be provided on a nonreimbursable basis.