

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**DECENTRALIZED RURAL TRANSPORTATION PROGRAM  
(PTRD)**

**(PE-L1011)**

**LOAN PROPOSAL**

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## CONTENTS

### PROJECT SUMMARY

I.	REFERENCE FRAMEWORK .....	1
A.	Political, fiscal, and sector decentralization of transportation .....	1
B.	The road sector and rural roads .....	2
C.	Institutional situation of the transportation sector .....	2
D.	Financial situation of the transportation sector .....	3
E.	Country strategy in the road sector .....	4
F.	Bank strategy with the country and the sector .....	5
G.	The Bank's experience .....	5
H.	Lessons learned .....	7
I.	Program strategy .....	8
J.	Coordination with other multilateral agencies .....	9
II.	THE PROGRAM .....	10
A.	Objective .....	10
B.	Description .....	10
C.	Components .....	11
1.	Transportation infrastructure: Works and studies and supervision .....	11
2.	Local capacity development .....	12
3.	Policy development, regulation, and rural transportation institutional framework .....	12
4.	Rural transportation and development .....	13
5.	Monitoring and evaluation .....	14
6.	Program management and administration .....	14
7.	Financial and operational audit .....	14
D.	Cost and financing .....	14
III.	PROGRAM EXECUTION .....	16
A.	Borrower and executing agency .....	16
B.	Program execution and administration .....	16
C.	Specific considerations .....	17
D.	Routine road maintenance and its sustainability .....	19
E.	Provincial transportation management .....	20
F.	Organizational structure and institutional capacity of local governments .....	20
G.	Monitoring and evaluation .....	21
H.	Execution period and disbursement schedule .....	23
I.	Bank account, disbursements, audits, and financing .....	24
J.	Procurement of works, goods, and services .....	24
K.	Accounting and financial records .....	25

IV.	VIABILITY AND RISKS.....	26
A.	Institutional viability .....	26
B.	Technical viability.....	26
C.	Financial viability.....	27
D.	Socioeconomic viability .....	27
E.	Environmental and social impact .....	28
F.	Impact on poverty .....	29
G.	Benefits .....	30
H.	Risks .....	30

## ANNEXES

Annex I            Logical framework

Proposed resolution

Electronic Links and References	
Basic socioeconomic data	<a href="http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata">http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata</a>
Status of loans in execution and loans approved	<a href="http://ops/approvals/PDFs/PEen.pdf">http://ops/approvals/PDFs/PEen.pdf</a>
Tentative lending program	<a href="http://opsgs1/ABSPRJ/tentativelending.ASP?S=PE&amp;L=EN">http://opsgs1/ABSPRJ/tentativelending.ASP?S=PE&amp;L=EN</a>
Annex II: Procurement plan	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=842053">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=842053</a>
Appendix I: Procurement plan	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=750290">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=750290</a>
Annex III: Project Performance and Monitoring Report (PPMR)	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=750598">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=750598</a>
Annex IV: Financing table	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=750608">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=750608</a>

## ABBREVIATIONS

ESMF	Environmental and Social Management Framework
IFAS	Integrated Financial Administration System
IVP	Instituto Vial Provincial (Provincial Road Institute)
MEMV	Microempresa de Mantenimiento Vial (Road Maintenance Microenterprise)
MTC	Ministry of Transportation and Communications
PCR	Programa de caminos rural (rural roads program)
POM	Program Operations Manual
PPP	Public-Private Partnership
PROVIAS	Proyecto Especial de Infraestructura de Transporte [Special Transportation Infrastructure Project]
PTRD	Programa de Transporte Rural Descentralizado (Decentralized Rural Transportation Program)
PVD	Provías Descentralizado
PVN	Provías Nacional [Special National Transportation Infrastructure Project]
PVPP	Planes Viales Provinciales Participativos (Participatory provincial road plans)
PVR	Provías Rural [Special Rural Transportation Infrastructure Project]
VDL	Ventana de desarrollo local (local development window)

## PROJECT SUMMARY

### PERU DECENTRALIZED RURAL TRANSPORTATION PROGRAM (PTRD) (PE-L1011)

Financial Terms and Conditions <sup>1</sup>				
Borrower: Republic of Peru Executing agency: Ministry of Transportation and Communications, through Provías Rural			Amortization period:	20 years
			Grace period:	5 years
			Disbursement period:	5 years
<b>Source</b>	<b>Amount</b>	<b>%</b>	Interest rate:	To be determined
IDB (Ordinary Capital)	US\$50 million	33.3	Inspection and supervision fee:	0%
Local	US\$50 million	33.3	Credit fee:	0.25%
Other/Cofinancing	US\$50 million	33.3		
Total	US\$150 million	100	Currency:	U.S. dollars from the Single Currency Facility
Project at a glance				
<p><b>Project objective:</b> The program objective is to make public, economic, and social services physically more accessible to the rural population by improving local road systems. To accomplish this aim, the program will work primarily to improve the decentralized public supply and maintenance of rural transportation infrastructure and to promote the development of economically productive transportation infrastructure-related initiatives.</p> <p><b>Special contractual conditions:</b> As a condition precedent to the first disbursement: Provías Descentralizado, with the Bank's no objection, must have introduced the program Operations Manual (paragraph 3.26)</p> <p>Special contractual conditions: (i) presentation of semiannual progress reports (paragraph 3.23); (ii) Provías Descentralizado must present the annual work plan by 31 January of each year, (paragraph 3.24)</p> <p><b>Exceptions to Bank policies:</b> Establishment of a revolving fund of up to 10% of the amount of the Bank financing (paragraph 3.36) Allow firms in the member countries of the Bank and the World Bank to participate in the competitive bidding process (paragraph 3.42)</p>				
<p>Project consistent with country strategy: Yes [ X ]      No [ ]</p> <p style="text-align: center;">SEQ [ X ]      PTI [ X ]      Sector [ ]      Geographic [ X ]      Headcount [ X ]</p> <p>Project qualifies as:</p> <p>Procurement: See paragraphs 3.40 and procurement plan.</p>				

<sup>1</sup> The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.\*

\* With regard to the inspection and supervision fee, in no case will the charge 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. REFERENCE FRAMEWORK**

### **A. Political, fiscal, and sector decentralization of transportation**

- 1.1 The Peruvian government has initiated a decentralization process in order to promote “the integrated, harmonious, and sustainable development” of the country’s regions, in an effort to establish a clear separation and delegation of responsibilities and functions among the various levels of federal, regional, and local government. For such purposes, it has a legal framework formed by the Constitutional Reform on Decentralization Act, Guidelines for Decentralization, and the Regional and Local Governments Act. These laws determine the scope of decentralization, its phases of execution, its timing with respect to state reform, and the flexibility required for its sustainability. With respect to rural roads, the Municipalities Act places this responsibility under municipal jurisdiction, whether it be provincial or local. Thus, the decentralization of roads is legally established, and the transfer is therefore limited to the assignment of resources or management of roads taken over by the Peruvian government.
- 1.2 In accordance with the Regional Government Act, the Ministry of Transportation and Communications (MTC) and PROVIAS RURAL (PVR) developed sector transfer plans and carried them out with a clear strategy. These plans consist in: (i) developing and creating an institutional framework specialized in road management in each province, involving all of its municipalities: the Instituto Vial Provincial [Provincial Road Institute] (IVP); (ii) planning the development of provincial rural road infrastructure; (iii) developing decentralized financing mechanisms that guarantee the sustainability of investment in rural road infrastructure; (iv) phasing in the decentralization of road management because of the differences in the local government institutional and technical capacities; (v) outsourcing services locally and regionally; and (vi) promoting complementarity and integration with other types of economic, social, and productive infrastructures in order to increase the impact of such investments on rural development and poverty reduction.
- 1.3 As part of this strategy and its gradual introduction, PVR undertook a pilot project on decentralized road management in the province of Arequipa, where it developed and experimented with institutional, technical, and financial arrangements. In light of this experience, with the lessons learned in the case, it expanded the transfer of rural road management – within the framework of the decentralization process currently under way – to other provinces in the country.
- 1.4 The transfers of funds, projects, and programs started in 2003 with the decentralization process. As part of this process, the Peruvian government issued a set of standards that not only serve as an “umbrella” for the actions undertaken by PVR in this regard, but also, in many cases, helped accelerate the process designed and planned by PVR. Thus, starting in the last quarter of 2003, PVR transferred the

management of local roads to the local governments and their IVPs, and that of departmental roads to the regional governments.

## **B. The road sector and rural roads**

- 1.5 Road transportation is the primary form of transportation. Nevertheless, Peru's road infrastructure is limited when compared to similar countries in Latin America. The road system is organized into three levels: (i) 17,000 km of national roads, of which 49.5% is paved and, of this percentage, 36% is in good condition; 37.5% is unpaved, of which only 13.2% is in good condition; (ii) 14,300 km of secondary or departmental roads; and (iii) 46,900 km of tertiary or local roads.
- 1.6 The rural transportation infrastructure comprises the rural road network, the river system and its piers and jetties, small airfields, and dirt trails. Its main component, the road system, covers a total of 46,900 km<sup>1</sup> and offers accessibility to 30% of the population and 90% of the country's urban centers. Over 70% of this system is in poor condition. The absence of serviceable roads is the result of a lack of maintenance and difficult topographical and climatic conditions making their use impossible or very costly. This has hindered development and contributed to the isolation of poor rural communities. The exception is more than 15,000 km of roads that have been restored and maintained since 1995, with Bank support.

## **C. Institutional situation of the transportation sector**

- 1.7 The Ministry of Transportation and Communications (MTC) is the governing authority with national jurisdiction over all modes of transportation. It acts through the Office of the Deputy Minister of Transportation (VMT), whose organization is structured into departments divided among modes of transportation, complemented with specialized executing units in the road sector and public enterprises responsible for rail transport, ports, and airports.
- 1.8 To manage road infrastructure, the MTC has an organization made up of the Department of Roads and Railways, responsible for regulatory and policy matters, and three executing agencies, called Proyecto Especial de Infraestructura de Transporte [Special Transportation Infrastructure Project] (PROVIAS), each responsible for the road system at its own jurisdictional level. The primary road system is being improved, restored, expanded, and maintained by Provías Nacional (PVN). For the secondary road system, Provías Departamental was entrusted with the task of assisting the regional governments. Lastly, for the tertiary system, PVR was the branch that provided support to local governments. In August 2006, PVR absorbed Provías Departamental in a merger and the resulting entity was called Provías Descentralizado (PVD).

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<sup>1</sup> In the roads plans that have been developed, the network of local roads has been found to be more than twice the officially recognized amount. On this basis, PVD estimates local roads totaling over 100,000 km.



- 1.9 The MTC lacks formal legal authority to do road work on the tertiary system. Since 1995 its policy has been to participate in restoration and maintenance through the Rural Roads Program (PCR), while assisting municipalities in developing their planning and management capacity. The PCR also restored and maintained 2,700 km of secondary roads that were transferred to the regional governments in 2004. This direct action strategy has evolved into the transfer of financial resources and technical and institutional assistance so that the subnational governments can fully assume their responsibilities. The activities financed and the rate of transfer are subject to the development of the necessary capacities that the program itself helps them obtain.

**D. Financial situation of the transportation sector**

- 1.10 The Peruvian government's decision to develop and expand the primary road infrastructure through public-private partnerships (PPP, Amazonas Norte, Interoceánica, Costa-Sierra Program) has placed major pressure on the MTC's finances and, particularly, on those of its agency devoted to these roads, PVN. This decision has had several short and medium-term consequences: (i) virtually full use of this agency's ordinary resources to cover the annual payments committed to these PPPs for works, maintenance, and operation; (ii) a significant reduction in resources collected directly (tolls), since a large portion of them have been absorbed by the abovementioned concessions; and (iii) PVN's dependence on resources from external debt to finance the conservation, improvement, and limited expansion of the network that remains outside the PPPs.
- 1.11 The outlook for the sector is complex, but compatible with recent financial history. In recent years the Ministry of the Economy and Finance (MEF) has managed an external debt on the order of US\$500 million, and estimates that this level will be maintained for the 2006-2009 period; the MTC, with a historical allocation of US\$150 million, is among its primary beneficiaries, and it is estimated that this allocation will be maintained in the immediate future in view of the growing importance given to the expansion of transportation infrastructure in national policy. This breakdown for the 2007-2011 period includes US\$20 million/year for the tertiary road system and the remainder for other MTC programs.
- 1.12 This level of external borrowing has enabled the MTC to allocate sufficient resources for normal project work on the national, departmental, and local road systems, with budgetary room for ongoing and operations in the pipeline to be properly executed. The ordinary funding requirements for the decentralized rural transportation program (PTRD) will not be adversely affected by the similar source restrictions on the PVN.

## **E. Country strategy in the road sector**

- 1.13 The strategy for the road sector varies according to a road's jurisdictional level. The primary system, under PVN's jurisdiction, has complementary strategies. On one hand, the expansion and qualitative improvement of the region's major structural corridors are addressed through PPPs, using concessions that require financial support from the treasury to be profitable, with a considerable impact on the availability of PVN's resources (paragraph 1.10). On the other hand, the conservation of a system where demand is insufficient for a concession, as well as the improvement of major regional corridors, has become PVN's primary responsibility, and it has an elaborate system for planning and prioritizing activities, where maintenance is an essential part of the strategy.
- 1.14 For secondary and tertiary networks, the Peruvian government is implementing a sector policy explicitly supporting decentralization to regional and local governments, assisting them with programs where resources are provided together with medium and long-term technical and institutional support. These programs, financed by the Bank and the World Bank (WB), have proven effective in achieving regional and local integration, improving the living conditions of the rural population, and supporting economic expansion. The Peruvian government's continued financial support and the MTC's technical and institutional support are accompanied by the financial efforts of regional and local governments that contribute vast amounts of their own resources to these programs.
- 1.15 The MTC's policies have affirmed the jurisdiction of the subnational governments over the road systems under their care, particularly the municipal tertiary network. Thus, forms of participation have gradually changed; the direct action that characterized the first stage of the PCR (Rural Roads 1, CR1) shifted, during its second phase (CR2), to the creation of IVPs and the transfer of road maintenance microenterprises (MEMVs) (paragraph 1.21) and the maintenance resources to be managed by them. The PVD's portfolio also includes the transfer of resources for road restoration activities. PCR also contributed to improving road and transportation management capacity at the municipal level, by introducing innovative, effective practices that accompany the decentralization process. These tasks will be developed in greater depth in the PTRD, where the PVD will undertake virtually no works on its own. In the medium term, the MTC is considered an institution that monitors and sustains the decentralization process, acting through PVD by providing only

CR1 focused on the provinces with the highest levels of poverty, where insufficient resources and institutional capacity, coupled with the federal government's lack of a clear definition of the decentralization process, hindered progress in the transfer of responsibilities to local governments. CR2 incorporated institutional actions and a pilot program (Arequipa) to generate experience to assist in the decentralization process, and its implementation allowed the extension of this experience into other provinces (paragraphs 1.3 and 1.23). The PTRD proposes to expand decentralization of road management to the entire country.

technical, institutional, and financial support to local governments, assisting with but not assuming their responsibilities, as it did in its early stages.

#### **F. Bank strategy with the country and the sector**

- 1.16 The Bank's strategy seeks to: (i) increase the economic productivity and competitiveness; (ii) improve the efficiency of social policy; and (iii) create a modern, efficient State to serve the population. The strategy for the transportation sector supports increased competitiveness through the expansion of the road infrastructure, to contribute to regional integration, develop logistics and the regulation of ground transportation and transit, increase private sector participation in the provision of transportation infrastructure and services, and expand public passenger transportation in urban areas. It also seeks to work with subnational governments to improve their capacity to manage the transportation infrastructures and services under their care. In the road sector, it seeks simultaneous action on all three systems, to specialize and clearly define the authority and competencies of the responsible agencies in the system on which they work, and to strengthen planning and management capacity.
- 1.17 The program will contribute to the following aspects of the current strategy: (i) to support the restoration and expansion of the productive infrastructure; (ii) to improve the physical and economic integration of the traditionally neglected rural sectors, contributing to poverty reduction by facilitating increased coverage and efficiency of social services; and (iii) to support the modernization of the municipal public administration.

#### **G. The Bank's experience**

- 1.18 The Bank has systematically supported decentralized local road management through two rural transportation infrastructure renovation programs in Peru.<sup>2</sup> The results achieved show that PVD has been an efficient and capable executing agency. Upon completion of CR2, it will have restored more than 12,350 km of rural roads, 2,700 km of secondary roads, and 6,300 km of dirt trails, provided periodic maintenance to 7,033 km and 2,400 km of local and secondary roads, respectively, and incorporated all this into a routine maintenance program.
- 1.19 The PCR has contributed to identifying and developing local productive activities through the Local Development Window (VDL) pilot program. These activities were made possible by the provisional continuity of the restored road system that encouraged community and private productive investments. In quantitative terms, the VDL has been successful, since with a component of US\$660,000, it has

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<sup>2</sup> Stage one of the PCR (PE-0136) received financing from the Bank and the World Bank (US\$90 million each). With Treasury contributions, the financing exceeded US\$270 million. The loan ended in December 2000. Phase two (PE-0140, US\$50 million), currently in execution, also has World Bank cofinancing of US\$50 million and US\$51 million in counterpart financing. It will be completed in March 2007.

leveraged approximately US\$10 million for public and/or private projects, of which US\$7.1 million correspond to 101 public investment projects, plus 48 productive projects, totaling US\$2.9 million. In qualitative terms, the VDL represents a new mechanism in the struggle against rural poverty, with a proactive approach that identifies and exploits existing regional potential by developing the entrepreneurial spirit in rural communities. VDL is a gender-focused initiative that promotes the empowerment of rural women, as well as other vulnerable social groups, and generates mechanisms to provide civil society with decision-making powers in local management. Lastly, the success of the Local Development Plans, as a tool to prioritize investment in local communities, supported by VDL, inspired the creation of standards that, in turn, spurred the development, on a national level, of district and provincial development plans.

- 1.20 The PCR has been successful. Socioeconomic impact studies have shown that short-term benefits related to travel time and costs and supply of services have improved significantly, and have translated into growing physical accessibility and use of the social infrastructure, such as education and health services, as well as greater use of productive and business services.

The impact assessment (2000) for the rural road restoration projects in the sierra region shows that: (i) cargo and passenger transport costs fell 59% and 29%, respectively; (ii) 67% of those surveyed have improved access to educational services; 44% of families with students noted a reduction in travel time to schools (20% indicated a 35% reduction); (iii) the percentage of families with access to health services is greater among program beneficiaries than nonbeneficiary families (82% vs. 73%); (iv) 82% of those surveyed indicated that they have better access to the market; and (v) beneficiaries undertook more business transactions outside of their communities than nonbeneficiaries (71% vs. 42% of total production and consumption).

The CR2 assessment (2004) shows that the impacts are more significant and visible in aspects directly related to conditions of transport and access to basic services. Road restoration generated: (i) savings in travel time of 68% over expected times without any intervention; (ii) increases in traffic, especially light vehicles; and (iii) reduction in transport and cargo costs, etc.

- 1.21 The conceptual evolution of the PCR shows that rural road management is gradually becoming sustainable. *Technical sustainability* came first, showing that roads with a low resurfacing cost, subject to a strict routine maintenance program, could meet and in some cases exceed expected service life; it also showed that with periodic maintenance, this service life can be extended with minimal investment; microenterprises have proven to be a useful tool in providing routine maintenance, while also creating jobs and acting as catalysts for other local community development initiatives, giving rise to *management sustainability*. Based on the MEMVs and their success, *social and political sustainability* was obtained, as confirmed in the support of the beneficiary communities and local authorities. Subsequently, there came the *financial sustainability* of the maintenance, which initially required partial Bank support, but whose cost is now the responsibility of local governments, with support from the federal budget, which allocates resources

through transfers for specific purposes. Lastly, there is *institutional sustainability*, which, despite being extremely complex, as the proposed solution (IVP) has the growing support of local authorities and those national authorities linked to the decentralization process.

- 1.22 The Bank also has experience with several operations in the sector, and has been working with MTC as an executing agency on various aspects of road development through six operations since 1991 (national roads: PE-0025, PE-0131, PE-0197; departmental roads: PE-0236; municipal roads: PE-0136, PE-0140). This continuous action has given the Bank in-depth knowledge of the sector, including its possibilities, opportunities, and challenges, complemented with a medium-term strategic vision. Another operation is also in preparation (PE-L1006, US\$100 million) to support a sustainable increase in the level of service on the national road system. For urban transit, a loan was granted to the Municipality of Lima (PE-0197) for a *Public Mass Transit System in Metropolitan Lima*. It has also provided support in the form of technical cooperation funding to the municipalities of Lima, Arequipa, Trujillo, and Chiclayo for the development of their urban transit plans. The Bank also has recent experience with port, airport, and border crossing security programs. In port security, it is supporting a study to evaluate the existing port protection system in El Callao and to establish methodologies to extend the security improvements to the rest of the port system. In airport security, MIF approved the development of an instructor and staff training plan. For border crossings (PE-L1003), it seeks to facilitate bilateral trade through the construction of integrated control centers on the borders with Bolivia, Chile, and Brazil, and support for the modernization of border control processes.

## **H. Lessons learned**

- 1.23 The Bank's experience indicates that, as a minimum, the following considerations are fundamental to the design of the program: (i) decentralization is more effective when accompanied by the timely transfer of technical knowledge and institutional capacities, when financial resources are provided for proper implementation, accompanied by continuity, follow-up and monitoring; (ii) collaborative planning is essential for the identification of investments suited to local needs and for obtaining the subsequent commitment to the established priorities; (iii) the importance of having an agency that pools experience, creates knowledge, synthesizes it, and disseminates it among the various participants, since the learning curve is steep, and local governments lack the capacity and resources to perform this task and share it effectively with their peers; (iv) road restoration and maintenance are performed more efficiently by private operators; and as CR1 and CR2 demonstrated, regardless of how remote a road is, competent private contractors can always be found. Nevertheless, although it will base its execution on the outsourcing of its activities, years of administration by force account on the part of the municipalities have led the PTRD to work with local governments on optimizing the use of resources, in terms of both staff and equipment, in order to have a greater impact on

road management; and (v) as infrastructure is developed, traffic increases along with the need for better traffic regulation.

## **I. Program strategy**

1.24 Rural transportation requires: (i) improved serviceability of the tertiary road network; (ii) connectivity among road systems and to other modes of transportation; (iii) medium and long-term sustainability of restoration, maintenance, and operation; (iv) improved technical standards for roads with relatively high traffic; (v) incorporation of new modes of rural transportation; (vi) development of local government technical and institutional capacity and oversight of their road management; (vii) improvement of the capacity to finance road activities at a municipal level; and (viii) development of policies regulating transportation and use of the road infrastructure.

1.25 The program responds to the need to provide rural communities with a transportation infrastructure and services ensuring permanent accessibility to social and government services, economic and business services, and opportunities for employment and income generation, by providing rural areas with low-cost roads, having adequate technical standards to meet the needs of rural demand and that, if maintained appropriately, provide continuity in their operation. The program will act, virtually exclusively, through local governments, promoting local capacities and governance in a sector of major socioeconomic and budgetary significance.

1.26 The program also seeks to strengthen the links between the incremental physical accessibility it provides and the private and community productive initiatives that are made viable by this accessibility and its continuity over time, by contributing to identifying them and generating economic opportunities in rural and local settings (VDL); it also seeks to explore complementarity with other economic infrastructures by developing public investment in rural areas.

1.27 PVD has been working in the 12 departments included in the PCR, while its capacity to take action in others is limited to resources from other sources, mainly bilateral donors. These additional resources have allowed PVD to have a presence in 129 of the

CR1 benefited 314 of a total of 1,103 districts included in the scope of the program's 12 departments. It is estimated that CR1 directly benefited nearly 2.8 million rural residents. To maintain the roads, 416 MEMVs were created and made responsible for nearly 11,000 km of road, generating approximately 4,800 permanent jobs (MEMV partners); with the execution of the works, 32,333 jobs were created. CR2, together with two other bilateral donors, reached 285 districts and 76 provinces, generated nearly 50,000 temporary unskilled jobs and 6,522 permanent jobs, and partners in 322 MEMVs, benefiting an equal number of families.

country's 194 provinces. Thus, the principles established by the PCR have become the policy for work on tertiary roads. Nevertheless, despite the major financial effort, resource constraints have led to the fact that a very significant part of the rural population, many of whom live in conditions of poverty similar to those

existing in the provinces where the program does have a presence, has not benefited from the improvement in physical accessibility, while local governments have been unable to integrate the new management model and the technical capacity associated with it. A common institutional road management model, the IVP, must also be consolidated. It requires technical support to evolve and adapt to the extremely varied local conditions. Finally, although municipalities have seen the resources under their control increase, they are still insufficient to address the investment needs for road restoration and periodic maintenance. Thus, PVD's continued presence is necessary to sustain the restored network and expand the number of roads in good condition.

- 1.28 Under the program, work would be performed throughout Peru, consolidating the benefits achieved. To accomplish this aim, it will deepen the process of management decentralization, strengthen local capacity, and promote the outsourcing of procurement, the development of a local market of consultants and contractors, and the training of MEMVs. It will also promote road safety and the regulation and oversight of rural road infrastructure use, in coordination with the municipalities.
- 1.29 The program will further the decentralization of road activity while seeking technical and financial sustainability for its actions. CR2 developed the concept of the Provincial Road Institute (IVP), an entity that reports to the municipalities in a given province, whose objective is to consolidate all road management. Here, PVD has gained considerable experience, with 38 IVPs in operation and 70 in implementation, thus demonstrating the benefits of this model.
- 1.30 As further evidence of their financial sustainability and political commitment, the local authorities will pay for routine maintenance in its entirety. The program will work to strengthen institutional sustainability to ensure the continued commitment of local governments to routine maintenance and the MEMVs. The program will only finance restoration if the local governments commit resources for maintenance; these commitments are established in framework participation agreements and joint road plans. The social sustainability of the maintenance demonstrated over time further ensures local government commitment to this work.

## **J. Coordination with other multilateral agencies**

- 1.31 The successful experience garnered in CR1 and CR2 led the Peruvian government to seek a new joint operation, with cofinancing on a similar *pari passu* basis, with the World Bank, thus promoting a single policy of action on the tertiary network, using program procedures common to both institutions. No other multilateral institutions are financing tertiary road projects through local governments. The establishment of joint project teams during program preparation and execution has allowed and will guarantee, respectively, the continuity of cooperation between the World Bank and the IDB, following the path laid down in CR1 and CR2.

## II. THE PROGRAM

### A. Objective

- 2.1 The program objective is to make public, economic, and social services physically more accessible to the rural population by improving local road systems. To accomplish this aim, the program will work primarily to improve the decentralized public supply and maintenance of rural transportation infrastructure and to promote the development of economically productive transportation infrastructure-related initiatives.

### B. Description

- 2.2 The *Decentralized Rural Transportation Program* (PTRD) is a multiyear program. The process of identifying and selecting the high number of simple, low-cost works is performed by local communities and local authorities, using the Participatory Provincial Road Plans (PVPP), which facilitates program execution, since it promotes a sense of ownership among the authorities and the community. Strict project eligibility and evaluation criteria will ensure the objectives are met. PVD is the MTC's only agency involved in tertiary road activities, and in its work it applies an integrated vision covering technical, management, institutional, and financial issues.
- 2.3 The PTRD will consolidate the process started in 1995 and intensified beginning in 2001, and will expand it nationwide. Also, the possibility of expanding coverage by topic will be examined in order to address other types of rural transport infrastructure, such as airfields and piers (already included in CR2), as well as to incorporate certain aspects of regulation governing services that use this infrastructure.
- 2.4 The proposed program *restores and maintains economic infrastructure*. By providing increased physical access to the communities, it will help to step up the social services available and to make them more efficient. Thus, in rural and relatively isolated areas, it facilitates market integration. By working on practical municipal management issues, it promotes the modernization of local public administration and supports political decentralization. To achieve an even greater impact, the PTRD will prioritize the periodic maintenance of roads restored in the PCR and the restoration of approximately 3,000 km prioritized in the PVPPs.
- 2.5 The PTRD attaches great importance to local capacity development. Specifically, it will support: (i) *institutional development*: boosting the capacity of the responsible agencies, incorporating proven road management practices through outsourcing and the application of transparent procedures, encouraging the participation of the community and the local authorities in identifying priorities, planning, and



monitoring the activities performed, aligning investments with local needs identified in regional development plans and the PVPPs; (ii) *technical and socioenvironmental development*: creating and restoring unpaved roads with low-cost technical standards, which, while ensuring their stability and durability, are compatible with the level and composition of demand, thus reducing investment costs, incorporating road conservation practices that guarantee the full design service life and applying appropriate socioenvironmental and community participation practices. The road management model, based on service life (restoration, routine maintenance, periodic maintenance, and new routine maintenance of the roads), extensively applied by PVD and known to the local governments, has proven appropriate and essential for the technical sustainability of the tertiary network; and (iii) *financial development*: redirecting road expenses that are currently incurred by local governments, targeting them toward priorities identified in the PVPPs, improving the reporting system, both to the authorities and to the community, applying it to activities with a high social and economic return, with incentives to encourage these good practices and extend them throughout the road management process; and (iv) developing the local market for consultants (engineering designs, work oversight, socioenvironmental studies) and small works contractors, so that local governments have valid contracting alternatives for road projects.

## C. Components

### 1. Transportation infrastructure: Works (US\$90.2 million) and studies and supervision (US\$18.44 million)

- 2.6 The works subcomponent includes: (i) ***Rehabilitation of local roads***. The PTRD will restore 3,000 km of existing roads on the local network in the 24 participating departments. The works seek to restore physical accessibility, providing the roads with operating and serviceability conditions appropriate for the light and low-capacity vehicles that serve the communities. There are no plans to reroute or widen roads. (ii) ***Periodic maintenance of local roads*** (11,200 km). This will be performed on roads that have been under routine maintenance for more than 3 years and require more than just routine maintenance. The work will be performed with mechanical equipment that will qualitatively improve the serviceability of the roads and restore their good conditions. This work may be performed by contractors or by the municipal administration (paragraph 3.41). (iii) ***Improvement of dirt trails***. The program will provide financing: (i) for 2,500 km of community trails, for up to 70% of the cost of the works, with the remaining 30% contributed by the beneficiary communities in the form of unremunerated labor; the works will be performed by a Rural Road Committee, based on the current methodology; and (ii) for 150 km of trails used by tourists, which given their function require higher design standards; all of the works, including complementary infrastructure such as lookouts and rest areas, will be done through local contractors; community labor will be compensated. (iv) ***Improvement and construction of bridges***. This includes

approximately 50 bridges located on local roads to be restored and/or improved. **(v) *Improvement of other rural transportation infrastructure***, which could include: (a) boarding stairs, piers, and facilities to improve freight handling, providing users with safe and easy access; and (b) small airfield restoration. **(vi) *Pilot project stabilizing slopes and small watersheds***. This will permit the development of practical, low-cost procedures for the stabilization of slopes using bioengineering techniques. It will include the development of technical, organizational, and commercial practices and procedures, through agreements to be entered into with the National Engineering and Agrarian universities. The works will be done through reforestation microenterprises (RMEs) to be created and trained under this activity.

- 2.7 The studies and supervision subcomponent will finance the technical studies (engineering, environmental, social, and economic designs) for rural roads, trails, and bridge restoration and improvement projects, among other infrastructure works and the supervision of program works.

## **2. Local capacity development (US\$12.2 million)**

- 2.8 This component would develop, improve, and strengthen the institutional capacity of local governments so that they can assume efficient decentralized management. It will include: (i) PVPP that make it possible to perform a diagnostic assessment of the transport sector and to identify and evaluate priority stretches of road for provincial development, improving the programming capacity of investment and road works and monitoring and evaluation; (ii) integrated transport plans; (iii) technical assistance for municipalities and their IVPs for the development of road-related management systems and their implementation; (iii) continuous updating of the applied technical considerations, in particular those related to monitoring conditions on the restored network and the systems applicable to road planning; (iv) supply of information technology equipment and motorcycles; and (v) creation, development, monitoring, and strengthening of road maintenance microenterprises.

## **3. Policy development, regulation, and rural transportation institutional framework (US\$2.45 million)**

- 2.9 This component will assist with (i) the strengthening of PVD road management systems and their implementation; (ii) financing mechanisms; (iii) training in socioenvironmental issues of road projects, review and updating of technical and environmental manuals and handbooks; (iv) training of contractors and local supervisors; (v) dissemination and communication of program good practices through publications and workshops, where researchers and experts can share their knowledge of formulating effective strategies for sustainable rural poverty reduction, etc.; (vi) promotion of rural transport research in universities and technological institutes as well as greater participation of local universities in

teaching of rural infrastructure and transportation management, training of rural transportation specialists; (vii) development of rural property tax collection (identification of properties, property development; property appraisals; titling) and management and control mechanisms so that resources can be allocated to maintenance of rehabilitated roads; and (viii) procurement of computer equipment, GPS, and vehicles, particularly for the coordination offices.

- 2.10 This component also seeks to enhance the regulatory and oversight capacity of the authorities responsible for rural transportation, with an emphasis on: (i) the use of roads to protect rehabilitated infrastructure; (ii) tighten regulations in the transportation sector; (iii) reduction of traffic accidents; (iv) management of rights of way; (v) enforce the regulations; and (vi) rural transportation policy and proposed legislation.

#### **4. Rural transportation and development (US\$1.95 million)**

- 2.11 *Local Development Window (VDL).* VDL has been a successful experience (paragraph 1.19) that started in CR2. It was developed based on community and private productive initiatives that arose spontaneously once the road demonstrated that the new accessibility provided would be permanent. VDL is strictly linked to the immediate sphere of influence of the restored roads and addresses the following activities: (i) it supports local governments in enhancing and prioritizing actions identified in the Local Development Plans; (ii) it identifies and promotes development of community and private productive activities; (iii) it strengthens the technical and management capacities of the rural population by providing it with tools for the development of productive activities; (iv) it links the rural population to productive, financial, technological, and other markets; and (v) it develops a network of strategic partnerships within civil society and as agents with financing capacity for rural areas. This component extends the support provided in CR2, by expanding the geographic and thematic scope of VDL in order to: (i) strengthen relations between the rural population and dynamic networks of markets and institutions; and (ii) provide assistance to local governments, the community, and individuals in the identification, structuring, and financing of local initiatives. VDL does not finance investment projects. This component will also have the support of the Japan Special Fund Poverty Reduction Program in the amount of US\$1.5 million (PE-T1036), whose execution will be the responsibility of PVD.
- 2.12 *Provincial multisector intervention.* This will allow the development and evaluation of methodologies for the coordination of road management with the expansion of other economic infrastructures through institutional coordination with other public entities active in the provinces. This activity, whose goal is to plan and coordinate and make assessments, will not make investments. This will be the responsibility of the participants and the municipalities where the activities take place. Road investments are incorporated into the investment component and will follow regular program procedures.

- 2.13 *Road development and rural oversight pilot program.* The enhancement of the conditions of a network of roads, primarily those serving agricultural and livestock areas, where production, which is mainly commercial, must go to market, increases the value of nearby land and its capacity to continuously generate resources; these resources should translate into a growing capacity to pay rural property taxes, which are typically used for road management. The pilot program will develop mechanisms for the collection of rural property taxes (identification of properties, development of a property register, property appraisal, property titling as well as management and control mechanisms to ensure these resources are used to maintain the restored roads.

#### **5. Monitoring and evaluation (US\$1.7 million)**

- 2.14 This component will finance the activities concerned with (i) implementation of the IVP information system; (ii) development of the baseline and impact assessment; (iii) the PVD monitoring and supervision system; and (iv) monitoring of studies.

#### **6. Program management and administration (US\$15 million)**

- 2.15 This component includes expenses incurred by PVD at the central level and in its coordinating offices in program administration to be financed entirely out of the local counterpart contribution.

#### **7. Financial and operational audit (US\$500,000)**

- 2.16 The cost of the independent, external financial audit and the technical, operational, environmental, and social audit (paragraph 3.30).

### **D. Cost and financing**

- 2.17 This is a multiyear (“*time-slice*”) investment program in which the municipal governments will identify the works as they develop their PVPPs and subsequently join the program. The disbursement period is five years. The cost of the program totals US\$150 million to be distributed as follows:

	<b>IDB</b>	<b>IBRD</b>	<b>Peruvian government</b>	<b>Total</b>
<b>1. Transportation infrastructure</b>	38,916	38,916	30,808	108,640
<b>Works</b>	31,405	31,405	27,390	90,200
<b>Studies and oversight</b>	7,511	7,511	3,418	18,440
<b>2. Local capacity development</b>	5,124	5,124	1,952	12,200
<b>3. Policy development, regulation, and institutional framework</b>	1,029	1,029	392	2,450
<b>4. Rural development and transportation</b>	787	787	371	1,946
<b>5. Monitoring, supervision, and evaluation</b>	791	791	418	2,000
<b>6. Program management and administration</b>			15,000	15,000
<b>7. Financial and operational audit</b>	210	210	80	500
<b>9. Contingencies</b>	3,143	2,643	979	6,765
<b>10. Inspection and supervision and other financial charges</b>		500		
<b>Total</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>150,000</b>

### **III. PROGRAM EXECUTION**

#### **A. Borrower and executing agency**

- 3.1 The borrower will be the Republic of Peru. Program execution will be the responsibility of the Ministry of Transportation and Communications, through its agency, the Special Rural Transportation Infrastructure Project (Provías Rural), and its joint executing agencies will be the local governments participating in the program, which, in turn, will act through the Provincial Road Institutes (IVPs).

#### **B. Program execution and administration**

- 3.2 General program execution will be the responsibility of PVD, which will be responsible for general administration, the distribution of resources to the municipalities, monitoring and follow-up on the use of such resources, the establishment of technical and environmental standards for road restoration and maintenance, the updating of manuals, oversight of works, and compliance with the applied restoration and maintenance standards, and, in general, the provision of technical and institutional support to the municipalities.
- 3.3 To monitor decentralized activities, PVD will continue using its zonal coordination offices, which will grow in number based on program needs. These offices complement the work of the IVPs on the ground, by promoting the program and scheduling investments in consultation with the municipalities, while undertaking the procurement processes for designs, works, and supervision, where IVPs have not yet been established. The zonal units are also responsible for the agreements with the municipalities.
- 3.4 Working mainly through the IVPs, the municipalities will be responsible for the execution of works, involving the commissioning of economic, technical and environment studies, works, and their oversight. All these activities will be undertaken with private enterprises or consultants.
- 3.5 Should a provincial municipality fail to meet the terms of the agreement, to the satisfaction of the Government of Peru and the Bank, PVD will not include new activities in that jurisdiction until such time as the municipality has adopted corrective measures satisfactory to the Bank and the Peruvian government, and PVD will exclude that province from its annual program, with the exception of activities that are already under way. Any contracts in effect will continue until completion. Should a district municipality fail to meet its obligations, the program will still continue to cover the remaining municipalities provided they are able to satisfy their obligations under the program.

### C. Specific considerations

- 3.6 The program will be member-based, and its participants will be those local governments that voluntarily accept its conditions, which have been broadly validated during execution of prior operations. These conditions fundamentally establish the threshold in terms of institutional organization and financial commitment that the local governments must agree to in order to participate in the program. These basic conditions, forming part of the adhesion framework agreement, are: (i) *pooling of interests between the local government and the program*, under membership guidelines previously established in the framework agreement; (ii) *having a multiyear PVPP*, identifying road needs and prioritizing them in accordance with the decisions adopted in the participatory process undertaken by PVD; (iii) *financial commitment* to make the contributions for routine maintenance and, when applicable, to other program activities; (iv) *acceptance of program procedures*; (v) *acceptance of the program technical, environmental, and social regulations and standards*; (vi) *road maintenance*, incorporating restored roads into an MEMV-based routine maintenance program; and (vii) *access, publicity, and dissemination* of program actions and social control of its activities by both the community and the local authorities.
- 3.7 This agreement, included in the Program Operations Manual<sup>3</sup> (POM), will allow the local government, mainly through its IVP, to award contracts for designs, rehabilitation, and maintenance of roads, as PVD provides it with institutional strengthening. The abovementioned agreement requires adhesion of the district municipalities in order to ensure their acceptance of the terms for participation, particularly the financial contributions to routine maintenance by microenterprises, and to guarantee cooperation with local communities. A financing agreement will also be signed annually, identifying the activities to be financed, their costs, the distribution thereof between PVD and the local governments, and within the local governments; this agreement will allow local authorities to include their commitments in their municipal budgets. The signing of these agreements will be a condition for PVD to authorize the IVP to begin the procurement process, and subsequently, to transfer the resources.
- 3.8 *Geographic coverage*: The PTRD will take action in all of the country's provinces, except metropolitan Lima and El Callao. In the low-lying provinces of the rain forest, where the only activity has been a pilot project, currently in execution, only actions linked to component 2 will be pursued until a methodology for appropriate action is established (paragraph 2.8).
- 3.9 *Conditions for entry and transfer of resources*: To participate, all local governments must sign a framework participation agreement (paragraphs 3.7 and 3.6) with PVD,

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<sup>3</sup> PVD has a POM. As a condition precedent to the first disbursement the manual must be updated and in effect.

- have their PVPP, and an established IVP. Before initiating transfers to any province, PVD will sign a financing agreement (paragraph 3.7) with the province. The financial transfers of PVD resources to the IVPs will take the form of budgetary appropriations. Every six months, PVD must report to the Banks on the agreements signed during the period.
- 3.10 *Geographic distribution of resources:* The geographic unit in which this distribution will take place is the province; three criteria are applied to all provinces: (i) length of local road network; (ii) rural population; and (iii) level of rural poverty. Once allocated, in those provinces where PVD is active, these resources are applied primarily to periodic maintenance of its roads, with the remainder available for new activities. The resulting distribution is part of the POM.
- 3.11 *Participatory provincial road plans:* The methodology considers: (i) physical, economic, and social characteristics of the region; (ii) environmental potential and restrictions, resources and economic potential; (iii) development nodes and spheres of influence; (iv) network diagnostics in terms of conditions, accessibility, traffic, function, and flow of commercial products; (v) identification of corridors of economic and territorial integration and prioritization of strategic road corridors; (vi) prioritization of corridors and stretches of road; and (vii) financial capacity of district and provincial municipalities and institutional considerations. The PVPP includes the various stretches indexed by multiple criteria, applying technical, economic, environmental, and social considerations: 69 local governments have completed their PVPPs, four are in progress, and 20 have begun the drafting process. The PVPPs also include a multiyear scheduling system for the activities that will be part of the local government budget, ensuring that the full costs of maintenance will be part of the province's road budget.
- 3.12 *Force account:* Local governments use force account as a basic method of executing road works; their institutional and road management structure is structured around this, with the inefficiencies common to this type of operation. This system is fueled by the transfer of machinery undertaken as part of the political decentralization. The program will not promote this method; however, it would be unrealistic to ignore that it is the predominant form of management and that action must be taken to enhance its efficiency if the program is to be a useful and representative model for local road management. To do this, it will work with local governments to determine their true costs and make them more transparent, comparing them to market costs, and to improve their operating efficiency. The direct contracting of these activities by municipalities may be undertaken only if they maintain strict controls of the costs of work undertaken, in accordance with the methodology to be developed by PVD in advance. This will allow the municipalities to understand the true cost of the works through force account, so they can then make more informed decisions on whether outsourcing is in their best interest.



- 3.13 *Road eligibility criteria:* Five criteria are the basis for determining project eligibility: institutional, technical, environmental, social, and economic. The institutional criteria address the level of identification of the communities included in the area of influence of any given project; in this regard, the program will finance only those roads that have been identified as priorities in the PVPP, and where the local authorities express their commitment to financing their maintenance. The technical and environmental criteria address the construction characteristics of the proposed projects, the validity of their environmental protection measures, and their functionality within the province's road network. In particular, the program will not finance works in environmentally protected areas or indigenous territories, both of which are legally defined. The social criteria address the need to integrate the poorest areas into economic and social activities and to mitigate poverty through job creation. The economic criteria address project performance in accordance with the program methodology (paragraph 4.7).

**D. Routine road maintenance and its sustainability**

- 3.14 Through the efforts of PVD, the public's attitude toward the importance of routine maintenance is changing. First the community and its authorities, and later technical and professional teams have accepted the viability of the applied model. Nevertheless, in areas where the program has not taken action, one of the primary deficiencies of the current road management system continues to be the lack of maintenance, in its various preventive forms: routine and periodic. The program is taking a decisive approach to this issue, since one of its structural pillars is the promotion of road maintenance, an activity that will begin immediately after roads are restored with resources from the local and Peruvian governments.
- 3.15 Routine maintenance has proven to be sufficient for roads to reach their expected service life and to provide stability to the program technical work, both given the experience of CR1 and CR2 and that of other countries. Thus, the program will continue to expand this methodology. The work will be contracted with MEMVs, which will receive support in training and technical and management assistance.
- 3.16 The sustainability of maintenance is provided by: (i) *overall design*, prioritizing routine maintenance and the development of MEMVs; (ii) *community participation in the MEMVs*, through broad dissemination, so the local population is aware of their potential and limitations and can decide on the appropriateness of establishing them, in accordance with their sociocultural characteristics; (iii) *legal design of the MEMVs*, providing solid technical results and serving as a vehicle for the socioeconomic development of their members and the community to which they belong; (iv) *technical and business training for microentrepreneurs*, including delivery of technical and entrepreneurial manuals, initial training, and monitoring of their work; (v) *monitors*, who will form the basic system of training, assistance, and monitoring of MEMVs for the development of their skills. They will be professionals, recent university graduates in engineering, business administration,

or economics; (vi) *monitoring of MEMVs and their work*, by the monitors, but also by the local authorities plus the social control exercised by the community; (vii) *periodic evaluation of results*, through regular monitoring by PVD, inspections, consultations with users and beneficiaries, and special studies. These tasks will make it possible to evaluate the quality of the results, link the results to incorporation methodologies (corporate form of the MEMV) and work organization, etc.; (viii) *performance-based payment*, through global contracts specifying technical conditions to be met by the road and applicable penalties for noncompliance; the monitors will be responsible for evaluating the results of the activities performed by the MEMVs and the local governments for approval prior to monthly payment; and (x) *development of competitive procurement models*, to be adapted to local legislation and to maintain competitive pressure thus ensuring the quality of the work by the MEMVs.

- 3.17 The instruments creating the MEMVs and the responsibility for their implementation will fall to the municipalities, mainly through the IVPs, with the technical and institutional assistance of PVD. A similar task will be undertaken to develop the corps of road monitors necessary to monitor and supervise MEMV activities. PVD also has methods, manuals, and systems for training IVPs in the performance evaluation of maintenance work and implementing a monitoring and comparison system to establish outcomes, work and organizational methods, costs, qualities, etc., while learning from them and disseminating this knowledge.
- 3.18 The sustainability of the maintenance generates growing financial needs; achieving this sustainability is the responsibility of both the Peruvian and the local governments. PVD's experience indicates that the Government of Peru is strongly committed, as demonstrated by the increasing transfers for road maintenance and their continuity over time.

#### **E. Provincial transportation management**

- 3.19 The PTRD plans to work with the local and regional governments to adapt standards on transportation regulation, with an emphasis on road safety, responsible use of public roads, particularly for freight transport and public use, as well as the responsibility of carriers, particularly for passenger transport.

#### **F. Organizational structure and institutional capacity of local governments**

- 3.20 The local governments, mainly through the IVPs, will be coexecuting agencies of component 1. Transportation infrastructure. The IVPs represent the basic structure, accompanied by provincial government departments such as the administrative departments of planning, finance, natural resources, and environmental management. The progressive implementation of the PTRD, including the preparation of the PVPPs, will prevent local governments from being subjected to major demands from the start of activities so they can receive gradual training.

Their physical activities have started with routine maintenance and will be deepened to periodic maintenance.

- 3.21 The transfer of resources to an IVP is subject to four factors: (i) *technical*: the IVP must have the minimum required professional structure; (ii) *financial*: operating expenses must be financed by the municipalities they represent; (iii) *institutional*: the adhesion framework agreement must be in place and they must have the support of the necessary municipal departments (legal, administration, finance, planning); and (iv) *fiduciary*: the IVP must have accounts open in its name so it can receive resources and make payments. The proper functioning of the Integrated Financial Administration System (IFAS) is essential for this task (paragraph 3.44).
- 3.22 The program also includes institutional strengthening activities: (i) for the local governments, to support them in the implementation of the IVPs and the development of the mechanisms to make them operational; and (ii) for PVD, to strengthen its technical and socioenvironmental capacity to assist local governments and their IVPs. The program also plans, using mobile teams of specialists in different areas, to monitor and train local governments and their IVPs in activities from commissioning of studies to maintenance of the applicable works. These measures, along with the relatively low level of activity (works will not total more than one or two per province per year, to which related activities would be added), are considered sufficient for proper execution.

## **G. Monitoring and evaluation**

- 3.23 Monitoring. Within 30 days of the end of each calendar quarter, PVD will submit program progress and monitoring reports. The primary indicators for these reports are presented in the logical framework; PVD will identify others serving the same purpose, to be included in the POM. As a minimum, the reports will describe the following: (i) progress made with respect to the agreed upon execution indicators and disbursement schedule; (ii) the *pari passu* arrangement for the program as a whole and for the executing agency and the active coexecuting agencies; (iii) compliance with contractual clauses; (iv) integration of regions into the program and progress achieved in each; (v) detailed schedule of activities and action plan for the next six months; and (vi) issues that may jeopardize program development. The POM will establish the content of the semiannual reports.
- 3.24 By 31 January of each year, PVD will submit the annual work plan (AWP) for that year, including activities and projects to be financed, the work schedule, and the estimated budget.
- 3.25 PVD has an *integrated administrative and technical management system* (SIGAT) that, as its name indicates, integrates various administrative functions (cash flow, budgetary programming, accounting and finance, personnel, logistics, legal) with the technical area, particularly the entire procurement process for works and

studies. The first administrative part is fully operational; the technical part is being populated with data. SIGAT is fully compatible with the IFAS. PVD plans to extend SIGAT for use by the IVPs through the intranet, currently in development, which will be expanded as part of the strengthening of the IVPs. PVD also has regular performance monitoring systems for routine maintenance monitoring of conditions and traffic on rehabilitated roads.

- 3.26 The PVD will continue deepening the transparency of its activities and thus the program by bringing participating municipalities and their IVPs into the process, for which it will institute a periodic public community reporting system. As part of this system, the program has clearly established procedures in its POM and a broad system for monitoring and evaluating its actions and results, for both PVD monitoring of local governments, and for work by external, technical, operational, and financial auditors.
- 3.27 The IDB and the World Bank will monitor the program jointly. Given the decentralized nature of the program, with multiple coexecuting agencies, and the complexity of the institutional strengthening work, two oversight and evaluation missions are planned annually. The missions will provide an opportunity to examine: (i) execution of works; (ii) performance of PVD and progress in local capacity development and other institutional activities; (iii) suitability of the procedures used; (iv) justification of the investment made, institutional proposals to be executed, and an action plan; (v) procurement of works and participation by local contractors; (vi) budget for the next fiscal year; (vii) the program execution schedule and performance indicators; (viii) performance of participating local governments and their IVPs; and (ix) monitoring of the annual plan of activities, by local government and for PVD. Should the evaluation performed by the Bank and PVD find that execution is not satisfactory, within two months after receiving notice from the Bank of the deficiencies observed, PVD must prepare an action plan with corrective measures. During the mission to be undertaken in the second half of 2008, in addition to the foregoing, the geographic distribution criteria will also be reviewed with a view to making any adjustments if there have been changes to provincial revenues; and the results obtained from the Multisector Intervention, including comparative advantages of simultaneous activities in economic infrastructures versus independent activities; identification of infrastructure groups that generate maximum economic and social benefits; quantification, to the extent possible, of the magnitude of such benefits; and the establishment of appropriate governmental coordination mechanisms.
- 3.28 The program evaluation system consists in: (i) the review of program performance and its annual plans, undertaken on an ongoing basis by PVD; and (ii) specific performance audits, impact assessment studies, and participatory evaluation exercises. The program information and monitoring system will allow the Bank to monitor its development objectives. Four steps are planned whose scope and sequence are as follows:

- 3.29 *Baseline.* PVD has a socioeconomic baseline in the twelve original departments of the PCR, and the procurement process is under way for the remaining departments. This baseline includes detailed data on beneficiary conditions; for each road, basic information is included on traffic, travel time, accidents, and periods of closure.
- 3.30 *Technical, operational, environmental, and social audits.* To be undertaken annually using sampling, of the scope that the administrative missions determine in each case, the audit will analyze the technical, environmental, and social results of the program road restoration and maintenance and its compliance with the provisions of the POM. A post review will also be performed on the procurement processes undertaken with the program.
- 3.31 *Midterm evaluation.* In the second half of 2008, the Bank will examine: (i) initial results of road restoration, particularly for roads in the representative sample and those subject to periodic maintenance; (ii) bidding on works and results of the process and awarding of contracts for periodic maintenance; (iii) processes and results associated with the creation and transfer of resources and activities to the IVPs; (iv) processes and results of the organization of MEMVs; (v) results of mechanized road maintenance and force account; (vi) PVD's management capacity in the provision of institutional strengthening and control of PTRD execution; (vii) local government road planning and scheduling capacity; (viii) compliance with environmental and social mitigation measures; (ix) execution of resources allocated to local governments, among others; (x) review of indicators in the logical framework; and (xi) lessons learned.
- 3.32 *Socioeconomic impact assessment.* When at least 1,500 km of roads have been restored, PVD will collect data related to the baseline to evaluate the short, medium, and long-term impacts of the PTRD on the living conditions of the user population.
- 3.33 PVD will also collect, store, and maintain all information, indicators, and parameters, including the annual plans, midterm and final evaluations, necessary to help the Bank prepare the Project Completion Report.

## **H. Execution period and disbursement schedule**

- 3.34 The program execution period will be 54 months and the disbursement period 60 months, as shown in the disbursement schedule below:

Source/year	2007	2008	2009	2010	2011	2012
<b>IDB</b>	15,365	9,533	8,533	9,034	7,535	50,000
<b>Counterpart</b>	30,735	19,067	17,067	18,066	15,065	100,000
<b>Total</b>	46,100	28,600	25,600	27,100	22,600	150,000

**I. Bank account, disbursements, audits, and financing**

- 3.35 ***Opening of special account.*** In order to manage the funds from the Bank loan, PVD will arrange for the opening of a special account.
- 3.36 ***Revolving fund.*** In order to make program disbursements, a revolving fund, for up to 10% of the loan amount (US\$5 million), will be established in accordance with Bank procedures; this amount is considered necessary given the intense schedule of works and the decentralized execution thereof, with multiple coexecuting agencies. PVD must file semiannual reports with the Bank on the status of the revolving fund, within 60 days following the close of each six-month period. PVD will control use of the fund and will prepare the disbursement requests on behalf of the borrower.
- 3.37 ***Disbursements.*** The Bank and the World Bank have evaluated the control and filing systems and have indicated their no objection. Consequently, disbursement requests will not require supporting documentation, which will be held by PVD and must be available for review by the Bank and the external auditors, when considered appropriate.
- 3.38 ***External audit.*** During execution, the borrower, through PVD, will file annual program financial statements with the Bank, within 120 days following the end of the corresponding fiscal year. The external audit of the program will be undertaken by an independent auditing firm acceptable to the Bank and in accordance with its requirements, based on the guidelines established in the Terms of Reference for external audits of projects financed by the IDB (document AF-400). The firm will be selected and contracted using the procedures established in the external audit bidding document (document AF-200). The cost of the audit will form part of the program costs and will be financed out of the Bank's loan.
- 3.39 ***Retroactive financing and acknowledgement of expenses.*** No retroactive financing or acknowledgment of expenses is anticipated.

**J. Procurement of works, goods, and services**

- 3.40 Goods, services and works will be procured in accordance with Bank policies (documents GN-2349-7 and GN-2350-7). The procurement plan attached hereto provides details about the types of procurement being used by the PTRD.
- 3.41 In order to support the rehabilitation activities on dirt trails and periodic maintenance, single source contracting will be permitted for amounts up to US\$50,000 per contract, for: (i) rural roads committees for the improvement of trails; (ii) small works contractors, when the nature of the works shows that a market does not exist with sufficient qualified or interested bidders, and awarding the works directly with adequate supervision is recommendable; and (iii) municipalities, for periodic maintenance activities requiring the intensive use of equipment; these will be paid based on performance. The aggregate cost of these

exceptional contracts will not exceed US\$8 million. Such procurement may only be done with the Bank's prior approval, with due justification. Prior to signing the first periodic maintenance agreement with a municipality, PVD must submit, to the Bank's satisfaction: (i) the cost accounting methodology to be applied by the municipality; (ii) the performance-based evaluation system; and (iii) an independent record-keeping system for these contracts.

- 3.42 The procurement of works and goods represents a special consideration given the IBD-World Bank cofinancing, relating to the member countries invited to bid. For this reason, it is requested that as an exception to Bank policy, such bidding processes allow firms belonging to IDB and World Bank member countries to be invited to participate. Given the size of the works, participation in bidding processes is not expected by firms from non-IDB member countries. Nevertheless, should this occur, the World Bank will assume the full financing of such procurement.

#### **K. Accounting and financial records**

- 3.43 The maintenance of the program accounting and financial records will be the responsibility of PVD, which will be ultimately responsible for the procurement processes and filing documentation on transactions undertaken. PVD will also be responsible for verifying the eligibility of the expenses incurred by local governments, that they have made the pertinent counterpart contribution and complied with program procedures and, if they have not followed them, to report this fact, remove any activity financed by the program from them, and apply any potential penalties to the local government. A detailed description of PVD responsibilities and those of the local governments is included in the POM.
- 3.44 Once PVD has verified the eligibility of the expense, it will transfer the Bank's resources from its special account to the account of the local government that will be responsible for payment of the commitments it has assumed. The same procedure will apply to PVD in the use of the World Bank resources. The financial management of the funds will apply the IFAS, adequate for proper control of their use. Among other functions, the IFAS has those of cash flow and accounting; its use strengthens current institutional mechanisms. Resources will only be transferred to local governments that have an IFAS, otherwise PVD, at the local government's request, will make payments directly to contractors.
- 3.45 Program resources will only finance activities defined in the AWP by PVD and the participating local government, and that are included in the relevant budgets. The local governments will keep records of all transactions financed with program resources, and these records will be used by PVD in their disbursement requests (paragraph 3.37); these requests will detail the resources transferred to each local government and will apply them, a posteriori, to specific activities and works, thus demonstrating compliance with the *pari passu* agreed.

## **IV. VIABILITY AND RISKS**

### **A. Institutional viability**

- 4.1 The program aims to improve regional integration through the expansion of the road infrastructure in good condition, under the responsibility of local governments, offering better conditions for the expansion of productive opportunities and increasing accessibility by rural residents to public, social, civic, and other services. The planned support for the local governments to qualitatively improve road management will provide institutional stability to the mechanisms that prioritize works, establish maintenance hierarchies, and involve the local population in the control of road management, but also in the care of the network.
- 4.2 The restoration and maintenance works do not present technical difficulties; there is sufficient local consulting market and construction industry experience and PVD has significant experience organizing the execution of this type of restoration work and the management of subsequent maintenance. The oversight of the works will be performed by independent consulting firms contracted for this purpose. The work designs and plans have incorporated the necessary aspects of road safety.
- 4.3 The program will be executed by the local governments, through their IVPs; PVD has acquired a great deal of experience in monitoring these activities, since it has been supporting the IVPs established to date, assisting them in their institutional development, while gaining the support of the authorities for their growth. The program also includes a technical and management strengthening component so PVD can adequately respond to their demands; the support for each local government and IVP will be custom-designed for their needs in planning, road asset management, and safeguard management, among other things.

### **B. Technical viability**

- 4.4 The restored roads maintained during CR1 and CR2 show that the activities applied constitute adequate technical solutions. Technical designs are available, including general environmental specifications appropriate for current road conditions and their planned use. Technical quality will be closely monitored during execution in order to increase service life through routine and periodic maintenance appropriate for the specific conditions of each road. The strategy of partially monitoring local governments in their administrative tasks, while highlighting the costs associated with this type of management will allow the governments to adopt outsourcing as a more efficient and sustainable procedure.



**C. Financial viability**

- 4.5 Financial viability is provided by the Peruvian government's commitment to continue financing the decentralized road sector with resources from external debt and a continuous contribution of counterpart funds, from both the federal and local governments. During the execution period, local government contributions will represent a total of US\$54.4 million for the routine maintenance of the roads restored in CR1 and CR2, and US\$9.5 million for routine maintenance of roads to be restored by the PTRD, which will not be recorded under this project. Despite the major restrictions on the availability of ordinary resources for the MTC in the coming years, the program has sufficient resources to ensure its efficient operation.
- 4.6 Finally, this program is a maximum priority for the Government of Peru, and was ratified as such by the Ministry of Transportation and Communications and the Ministry of the Economy and Finance. It is not expected that this top priority ranking will change in the near future. PVD has met with the president elect's economic group, which has indicated its interest in continuing support for the program.

**D. Socioeconomic viability**

- 4.7 A post review conducted on 57 restored local roads, located in 12 departments in which PVD has worked, determined that, on average, the investment per stretch of road has been US\$216,228, for a net present value of US\$206,528, calculated at a social discount rate of 14%. The review also indicated that the average per capita investment was US\$36 per resident. When the roads reached significant traffic volumes, the economic return on the road was positive using both a cost-effectiveness evaluation and the traditional economic evaluation methodology.
- 4.8 The economic feasibility analysis of the program road rehabilitation was undertaken primarily using the cost-effectiveness analysis, taking a per beneficiary investment amount similar to prior programs (US\$100/beneficiary) as a base. In cases where a road had high relative traffic, its feasibility was calculated by applying the Roads Economic Decision (RED) model, which includes benefits for the different infrastructure maintenance costs and the cost reduction for vehicle operation and travel time. The economic evaluation was performed considering 19 stretches of road, grouping them according to whether the cost-effectiveness or traditional evaluation was applied. The stretches evaluated have complete final studies, represent a total of 270 kilometers, and are distributed over eight departments. The analysis performed for each group of projects showed a cost-effectiveness ratio below the adopted cutoff rate and an average economic internal rate of return (EIRR) of close to 35%.

## **E. Environmental and social impact**

- 4.9 The program generates significant positive socioeconomic impacts that translate into a significant improvement in the rural population's quality of life. As mentioned above, the impact assessment on a significant sample of roads addressed in prior phases showed that the restoration and maintenance of rural roads allows for the consolidation of an integrated, reliable road system that facilitates access to basic social and economic infrastructure services and reduces travel time and cost, integrating the communities into the subregional centers, expanding markets for agricultural products, and reducing their marketing costs.
- 4.10 The MEMVs, formed by rural residents of the communities through which the restored rural roads pass, is fundamental to the continuity of physical accessibility; these MEMVs are a continuous source of employment, they generate new, sustained revenues for the rural population, and they increase and diversify local demand for products and services.
- 4.11 As in prior phases, the program works will be small-scale, involving the restoration of rural roads and unpaved trails, without changes in routes and with the execution of works completely within the current rights of way. Based on program experience,<sup>4</sup> potential environmental impacts can be expected to be direct, small-scale, associated with the construction phase, and may be avoided and controlled by applying the preventive and mitigation measures established in PVD technical and environmental guidelines,<sup>5</sup> and their costs are entered under specific items on the works budgets. As part of these guidelines, the program has revised their specifications to include road safety considerations on low-traffic roads, in particular, to prevent accidents at junctions near small towns and villages. Labor safety considerations are included in the training manuals for the MEMVs and the works contracts.
- 4.12 Although the works are similar to those of the prior phases, the program Environmental and Social Management Framework (ESMF) has been developed

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<sup>4</sup> A socioenvironmental audit was performed on the roads restored in CR1; in CR2, annual technical and operational audits were conducted, including environmental considerations, and from 2001 to 2005, the Bank conducted eight technical inspections of samples of restored roads in which socioenvironmental issues were analyzed. The results show that land was not affected, there was no need to relocate residents, and no action was taken in protected natural areas or indigenous areas. The direct, localized, temporary impacts were related to the execution of the works—generation of noise and fumes, partial interruption of traffic, temporary limitation of access, erosion, sedimentation, and soil and water contamination. No significant negative indirect impacts have been identified.

<sup>5</sup> “Environmental guide for the restoration and maintenance of rural roads and unpaved roads”; “Technical and environmental manual for routine maintenance of local roads”; “Technical and environmental manual for the improvement of trails”; “Road management from a gender-perspective—Training of project operators and microentrepreneurs”; “Guide to social organization for the training and education of routing maintenance microenterprises.”

since the decentralization of the execution, the integration of new pilot projects, and the incorporation of the country's other 12 departments,<sup>6</sup> require the program environmental and social procedures to be updated and expanded.

- 4.13 The Bank's Environment (OP-703), Involuntary Resettlement (OP-710), and Indigenous Peoples (OP-765) policies have been adequately considered in the ESMF, through specific guidelines to be used in the event that any project affects these safeguards.<sup>7</sup> A methodology has also been developed for the classification of roads as a function of the socioenvironmental risk they may represent, considering the type of work and the vulnerability of the natural, social, economic, and cultural environment in their sphere of influence, and specific guidelines<sup>8</sup> for performing environmental assessments in accordance with the corresponding level of socioenvironmental risk.
- 4.14 The institutional strengthening component anticipates various activities aimed at guaranteeing the proper application of the ESMF in the decentralized context, including: (i) the implementation of a geographic information system (GIS) with electronic environmental and social maps to support the categorization of the project's risk level; and (ii) the training and education of PVD, municipal, and IVP technical staff in the ESMF, techniques and tools to integrate the gender perspective into the road project cycle, and in the application of the technical and environmental road restoration and maintenance manuals and handbooks. This component also provides for the creation and training of mobile teams of environmental and social specialists, to be hired by PVD, which will act together with the municipalities and IVP to train them and jointly apply the ESMF tools, in addition to the continuous monitoring and supervision of the decentralized activities. The program will finance independent socioenvironmental audits, whose results will be distributed to all involved parties.

## **F. Impact on poverty**

- 4.15 The program qualifies as a social-equity enhancing project, as described in the Report on the Eighth General Increase in the Bank's Resources (document

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<sup>6</sup> No action will be taken in the low-lying rain forest areas until the results of the CR2 pilot project monitoring and evaluation plan are obtained and a sustainable action strategy in these areas is consolidated, with the Bank's no objection. However, indirect impacts could be generated in some areas, such as the intensification of development pressures in rural areas, the exploitation of natural resources in wooded areas, and changes in socioeconomic conditions for the local population. Given the small scale of the projects, these impacts are not expected to be significant; however, the environmental assessments required for some project categories should include these issues.

<sup>7</sup> No action is planned in indigenous areas nor is the need for population resettlement expected as no road construction or expansion projects are included; however, these guidelines will be developed to establish an integrated framework for socioenvironmental management.

<sup>8</sup> The guidelines include the identification of critical liabilities affecting the operation of the road, its users, and the adjoining lands; their correction will be included in the project.

AB-1704). It also qualifies as a poverty targeted investment (PTI), based on the geographic criterion. Geographically speaking, as the population is predominantly rural, the scope of the program will cover the country's 24 departments, and the beneficiaries will be mainly people living in poverty or extreme poverty.

## **G. Benefits**

- 4.16 The primary expected benefits will come from the improvement of physical accessibility and existing serviceability, which will result in a greater use of and access to public and social services, a reduction in transportation costs, and greater reliability of the service. All these benefits have been evaluated and quantified in the impact assessments for CR1 and CR2 (paragraph 1.19, table). The primary beneficiary will be the mainly low-income rural population. Local governments will be the direct beneficiaries of institutional strengthening, resulting in greater efficiency in road management.
- 4.17 The program will operate on three different levels: (i) *products*: represented by the works to be executed and other direct results (restored and properly maintained roads; a new road management system; development of the local market for contractors and consultants); (ii) *results*: these will be focused on: permanent accessibility, reduction of operation costs and travel time, improved mobility; and (iii) *impacts*: over the medium-term, results are expected in the level of economic activity, the diversification and expansion of productive activities, and poverty reduction.

## **H. Risks**

- 4.18 The main risk lies in the institutional and financial aspects associated with the program's geographic expansion. The inclusion of a large number of provinces that have no experience with prior programs, or the physical capital represented by restored roads, hinders the program's orientation to act through IVPs, coupled with the low capacity of the new municipalities to take administrative and financial responsibility for the management of rural roads. Nevertheless, PVD has vast work experience in developing local institutional capacity, since this activity was a priority for CR2, and it has been handled with great success and achieved results far exceeding the originally established targets.
- 4.19 The level of acceptance that the program receives from the new Peruvian authorities and local governments represents another risk. To mitigate this risk, PVD is already working intensely, both nationally and locally, with the president elect's economic groups, who have indicated their support for the program. At the end of this year, the same will be done with the local governments.
- 4.20 The sustainability of the IVPs at the end of the program is a complex risk to mitigate; to do so, the design seeks to ensure that the IVPs are entities with a solid

technical and operational level allowing them to reach levels of functional efficiency such that the local governments can transfer resources and increasing responsibility to them, thus ensuring the success of this framework. If this does not happen, the program will, in any case, have developed a participatory planning system, incorporated the community into community-based monitoring and control, restored a significant portion of the tertiary road network, and incorporated it into a sustainable system of maintenance management.

**PERU**  
**DECENTRALIZED RURAL TRANSPORTATION PROGRAM (PE-L1011)**

**LOGICAL FRAMEWORK**

Objective	Indicators	Means of Verification	Assumptions
<b>Goal</b>			
To help improve the quality of life for people in rural areas, particularly those in low-income groups, by supporting efforts to eliminate poverty in Peru.			
<b>Purpose</b>			
To make public, economic, and social services physically more accessible to the rural population by improving local road systems	<b>By the end of the program<sup>1</sup></b> <ul style="list-style-type: none"> <li>3.5 million beneficiaries in the PTRD project areas have a reliable, integrated, and sustainable network of permanently serviceable local roads (with some usage restrictions);</li> <li>Travel time is reduced by 20% after road restoration;</li> <li>The number of days roads are closed to traffic or traffic is severely restricted is reduced by 20%;</li> <li>The general and commercial volume of traffic (passenger buses, small and large trucks) increases 30% and passenger fares and rates charged for transportation of agricultural produce fall 5%, within three years after rehabilitation;</li> </ul>	<ul style="list-style-type: none"> <li>Operational information from PVR and local governments.</li> <li>Short-term impact assessment study on a sample of roads restored by the PTD.</li> <li>Surveys and interviews with qualified representatives of transport operators.</li> <li>Agreements with municipalities on transfer of responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>Stable macroeconomic conditions and trade relations.</li> <li>Continuous government support for the poverty eradication policy and for the project itself.</li> <li>No natural disasters occur.</li> </ul>

<sup>1</sup> PVR has a socioeconomic baseline in the twelve original departments of the PCR, and the procurement process is under way for the projects in the remaining departments. This baseline includes detailed beneficiary data; for each road, basic information is included on traffic, travel time, transportation rates, accidents, and periods of closure.

Objective	Indicators	Means of Verification	Assumptions
	<ul style="list-style-type: none"> <li>The number of visits to clinics in the areas of rehabilitated roads increases by 10%, within three years after rehabilitation;<sup>2</sup></li> <li>The number of days of classes (primary school) for target populations increases by 10 %. The number of students who attend classes regularly increases by 5%, within three years after rehabilitation of roads.</li> </ul>	<ul style="list-style-type: none"> <li>Education and healthcare system statistics.</li> </ul>	
<b>Components</b>			
<b>Road infrastructure</b>  The rural transportation infrastructure network is restored and maintained at a sound permanently serviceable level.	<b>Midterm and final program indicators:</b> <ul style="list-style-type: none"> <li>1,000 km of local roads restored by the end of year three and 3,000 km by the end of the program;</li> <li>5,000 km with periodic maintenance by the end of year three and 11,200 km by the end of the program;</li> <li>20 bridges improved by year three and 50 bridges by the end of the program;</li> <li>1,000 km of trails improved by year three and 2,000 km by the end of the program;</li> <li>1,000 km of trails with routine maintenance by year three and 2,000 km by the end of the program;</li> <li>20,000 km of restored local roads with maintenance by the end of the program.</li> </ul>	<ul style="list-style-type: none"> <li>Program execution progress reports.</li> </ul>	<ul style="list-style-type: none"> <li>Local governments transfer the necessary financial resources for the operation of the IVPs.</li> <li>The local authorities and population support the creation of maintenance microenterprises.</li> <li>Communities are interested in participating and committing resources.</li> <li>Provincial and district municipalities commit technical, administrative, and financial resources to assume responsibility for decentralized road management through the IVPs.</li> </ul>
<b>Studies and oversight</b>	<ul style="list-style-type: none"> <li>150 technical studies undertaken by year three and 250 by the end of the program.</li> </ul>	<ul style="list-style-type: none"> <li>Program execution progress reports</li> </ul>	

<sup>2</sup> This indicator can be obtained since this is the third operation for tertiary roads.

Objective	Indicators	Means of Verification	Assumptions
<p><b>Institutional strengthening, policy development, and rural transportation regulation</b></p> <p>Decentralized rural road management systems are implemented and operating properly</p>	<p><b>Final program indicators:</b></p> <ul style="list-style-type: none"> <li>• At least 100 IVPs are created and operating;</li> <li>• 150 participatory provincial road plans are executed;</li> <li>• A technical, environmental, and social regulatory framework for local road management is added to the Operations Manual and implemented, including planning, studies, works, maintenance, and operation of roads;</li> <li>• At least 300 local government and IVP officials are trained and educated on the program's technical, environmental, social, financial, and procurement issues;</li> <li>• 200 works execution and oversight contracts are signed by the IVPs by the deadlines and with the resources established in the Program Operations Manual and the corresponding AWP;</li> <li>• 200 routine maintenance contracts are signed, and oversight mechanisms are set up and strengthened to verify the quality of the services provided.</li> <li>• 500 microentrepreneurs are trained and properly performing their work</li> </ul>	<ul style="list-style-type: none"> <li>• Program execution progress reports.</li> <li>• Program information systems.</li> <li>• Bank mission reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities are interested in actively participating in the institutional strengthening program.</li> </ul>
<p><b>Rural transportation and development</b></p>	<p><b>Local Development Window (VDL):</b></p> <ul style="list-style-type: none"> <li>• 15 provincial development plans are executed, validated, and prioritized by local communities by the end of the program.</li> <li>• 40 productive activities are developed through the VDL by the end of year three, and 80 by the end of the program.</li> </ul> <p><b>Pilot projects:</b> They will have their own monitoring system and specific baselines associated with their objectives.</p>	<ul style="list-style-type: none"> <li>• Program information systems.</li> <li>• Bank mission reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient and timely additional resources to carry out productive activities identified.</li> </ul>



Objective	Indicators	Means of Verification	Assumptions
<b>Activities</b>			
<ul style="list-style-type: none"> <li>• Transportation infrastructure.</li> <li>• Studies and oversight.</li> <li>• Institutional strengthening, policy development, and rural transportation regulation.</li> <li>• Monitoring and evaluation.</li> <li>• Rural transportation and development.</li> <li>• Administration and management</li> </ul>	See cost table.	<ul style="list-style-type: none"> <li>• Program information systems.</li> <li>• Semiannual progress reports.</li> <li>• Periodic monitoring meetings.</li> <li>• Bank mission reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient budgetary resources allocated.</li> <li>• Local governments have adequate procurement capacity.</li> <li>• Local governments have administrative and contract management capacity.</li> </ul>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/06

Peru. Loan \_\_\_/OC-PE to the Republic of Peru  
Decentralized Rural Transportation Program

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 decentralized rural transportation program. Such financing will be for an amount of up to US\$50,000,000 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.

LEGIII/PE-835761-PE  
PE-L1011