

TC Document

I. Basic Information for TC

▪ Country/Region:	PERU
▪ TC Name:	Support for the Development of Freight Transport and Logistics Investments and Planning
▪ TC Number:	PE-T1445
▪ Team Leader/Members:	Guerrero, Pablo (INE/TSP) Team Leader; Capristan Miranda, Rafael (INE/TSP) Alternate Team Leader; Almeida Oleas, Natalia (LEG/SGO); Baladi Rodriguez, Aziz (INE/TSP); Galarza Molina, Diana Carolina (INE/TSP); Lucenti, Krista (INT/TIN); Martinez Martin, Carlos Javier (INT/TIN); Moreano Marquez, Wendy Lidia (INE/TSP); Perez Rincon, Belinda (IFD/FMM); Vellutini Pimentel, Juliana (INE/TSP); Natalia Almeida (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	03 Mar 2020.
▪ Beneficiary:	Ministry of Transport and Communications (MTC)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Japan Special Fund(JSF)
▪ IDB Funding Requested:	US\$565,000.00
▪ Local counterpart funding, if any:	US\$63,000.00 (In-Kind)
▪ Disbursement period (which includes Execution period):	36
▪ Required start date:	July 15, 2020
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INE/TSP-Transport
▪ Unit of Disbursement Responsibility:	INE-Infrastructure and Energy Sector
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Economic integration; Environmental sustainability; Gender equality

II. OBJECTIVES AND JUSTIFICATION OF THE TC

- 2.1 Freight Logistics in Peru.** The growing importance of freight logistics as a vehicle for increasing the competitiveness of the economies of Latin America and the Caribbean (LAC) seeks to ensure the successful insertion of domestic products in the international market. The logistics sector in Peru has experienced considerable development in the last 10 years, following the strong growth of exports, through the consolidation of a relevant group of logistics operators who have progressively extended their operations to other LAC countries. At the same time, the public sector has made a significant investment effort in the development and improvement of the road network—both through public sector funding and through concessions to private companies—thus attracting recognized groups of international operators to manage the country's main ports and airports.
- 2.2 Challenges for the improvement of logistics operations.** Significant progress has been made in strengthening the infrastructure that supports transport connectivity,

especially in the road network, but it has had little effect on improving logistics operations. The result of this investment imbalance is that logistical challenges have continued to grow and generate increasing imbalances in the face of rising production and exports. They have also inhibited the development of new logistics operators that require specialized, well-located logistics infrastructure with a reasonable market value. The main effect of the poor logistics performance is reflected in an average cost of 34 percent of the final sale value, which is almost one third higher than the average for LAC countries and far from 7-8% of OECD's average.

- 2.3 Furthermore, moving freight within urban areas is a common transportation challenge that impacts many Peruvian cities, and as the country economy is evolving rapidly, freight transportation faces many challenges to remain competitive as well as sustainable. There is a complex relationship between the functional structure of urban distribution and its integration with supply chains, where the processes interact with various forms of transport infrastructure that influence the logistics activities.
- 2.4 **Technology and the effects of COVID-19.** The effects of COVID-19 caused exports and imports to fall by 40% and 19%, respectively. When the state of health emergency was enacted, the logistics sector had to take rapid action to minimize disruptions to supply chains across the country. One key aspect to enable the efficient movement of goods and services during the transition phase of COVID-19, is to ramp up the digitalization of transport services. Through digital transformations, agencies can integrate cutting-edge technologies (such as cloud, mobile, artificial intelligence, and automation) and modern management practices (for instance, agile software development) to dramatically improve services and outcomes.
- 2.5 The objective of this Technical Cooperation (TC) is to support the Ministry of Transport and Communications (MTC) in the design of planning and prioritization tools for the management of logistic assets. To this end, the TC will finance the update of the National Logistics Plan¹, market analysis and plans for freight transport and logistics projects, including virtual container yards, truck centers, and logistics platforms. It will also support the strengthening of the client's digital and institutional capabilities in the areas of planning and management of freight transport and logistics infrastructures.
- 2.6 **Efforts to promote integration in the Andean Region.** Over the past 15 years, the Bank has promoted physical, economic, and regional integration in the Andean region in three areas: (i) integration infrastructure, such as road corridors; (ii) border crossings; and (iii) system interoperability, such as the Binational Border Assistance Centers (CEBAFs). These efforts have been developed in Ecuador, Peru, Bolivia, and Colombia, particularly to support the development of the physical integration of neighboring countries. In this sense, the objectives proposed and the products to be developed with this TC will continue supporting IDB Group's strategic vision to promote integration, trade, and freight transport services.
- 2.7 In this context, the added value provided by the IDB will be to continue building the knowledge and capacity of public and private stakeholders to improve freight transport systems that support national production in Peru. To do so the TC will address institutional coordination and capacity barriers considering good practices and lessons learned in the region and internationally, to support the development of new logistics infrastructure both for domestic and international trade.

¹ [2014 National Logistics Plan.](#)

- 2.8 The studies will support the development of a National Logistics Plan to guide the expansion of multi-modal logistics parks and cold-chain infrastructure with a regional integration approach in the country. Strengthening the institutional capacity of the MTC and other entities, such as National Port Authority (APN), is also expected, thus creating added value to loan operations, public sector engagement, and private sector development. The Japan International Cooperation Agency is currently sponsoring a technical cooperation with the MTC to develop better technology for tunnel construction and excavation. As an active member of the Asia-Pacific Economic Cooperation, Peru is part of several expo-related thematic groups (like transport); the Japanese Government is also a member of these groups and previous and ongoing collaborations have been identified. Furthermore, the project will seek to engage the Ministry of Land, Infrastructure, Transport and Tourism (MLITT) in Japan to showcase Japan's experience and know-how to develop world-class logistics assets and cold-chain logistics, including best practices for transport infrastructure and freight transport operators, warehouses management and facilities, and national policy. The MLITT would be perfect suited to increase awareness for the Peruvian Government on how to develop an environment in which logistics operators can effectively handle cold-chain logistics, support the development of logistics operators, and raise awareness. Lastly, a Japan Visibility Agenda will be developed to achieve wide recognition and awareness of the Japan Special Fund and to ensure there are enough coverage and outreach initiatives.
- 2.9 This TC is aligned with the following priorities of the IDB Institutional Strategy Update 2020-2023 (AB-3190-2): (i) Social Inclusion and Equality, through the promotion and generation of employment for the implementation of the National Logistics Plan that would contribute to a more competitive country in the 25 regions and the metropolitan area of Lima; (ii) Productivity and Innovation, by promoting the implementation of technology for the optimization of logistics processes and in addition to the development of virtual courses that improve institutional capacity; (iii) Climate Change and Environmental Sustainability, by supporting a more efficient freight transport; (iv) Gender Equality and Diversity, given new data collected regarding the gender gaps in the labor markets of transport and logistics sector; and (v) Economic Integration, through activities that promote competitiveness in Peru by the design of planning and prioritization tools for the management of logistic assets that will contribute with the insertion of Peruvian firms into global supply chains. It also aligns with the Bank's Strategy (EBP) with Perú 2017-2021 (GN-2889), in the strategic area of increasing the productivity of the economy, by improving the country's logistics to increase its productivity and competitiveness in the region.
- 2.10 In addition, this TC is aligned with the objectives of the Japan Special Fund, through the strengthening of institutions to improve planning and execution capacities, develop sound regulatory frameworks and depoliticize investment decisions in addition to Japanese knowledge, best practices, or expertise to the beneficiary. Finally, the TC is also aligned with the [Sustainable Infrastructure Framework](#), in the priority areas of: (i) support for the construction and maintenance of socially and environmentally sustainable infrastructure to contribute to an increase in the quality of life; and (ii) promotion of continuous improvements in infrastructure governance. Also, the TC covers the dimensions of the Transport Sector Framework (GN-2740-7), as it aims to contribute to the improvement of inter-institutional relations in the country, to generate and implement freight transport policies, planning and executing projects, and monitoring and regulating freight transport and logistics services.

III. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 3.1 To achieve the proposed objectives, the TC will finance four components:
- 3.2 **Component I: Technical assistance for the implementation, management, and monitoring of logistics infrastructure projects.** This component aims to strengthen the technical capacity of public authorities related to logistics processes and related infrastructure projects. To this end, consultancies will be financed to develop an online training course to strengthen the technical capabilities of the MTC and other public-sector stakeholders in the country.
- 3.3 **Component II: Technical assistance in the implementation of plans and policies in freight logistics.** This component will finance the updating of the National Logistics Plan, engineering and pre-investment studies as well as market analysis of strategic projects. To this end consultancies will be financed to: (i) update Peru's National Logistics Plan, including technical support for a national logistics survey², in order to obtain quality information to update the Plan. The updated survey will include a gender analysis that defines guidelines to close the gap in the area of transport and logistics sector; (ii) freight transport model and a dynamic origin and destination matrix for freight in the country; (iii) various engineering studies for logistics infrastructure projects; and (iv) other freight and diagnostic studies. The expected result of this component is an updated National Logistics Plan, with both quality information and projects analysis to improve the country's competitiveness.
- 3.4 **Component III: Development of city logistics initiatives.** This component aims to develop and implement city logistics initiatives in Peru's cities. These initiatives should consider strategies and guidelines to follow related to congestion and COVID-19. The TC will finance the application of a methodology in at least two cities that analyzes the externalities of the distribution of freight transport in urban areas such as the cost related to congestion. The expected result is to develop proven initiatives to improve city logistics conditions in Peruvian cities reducing externalities, such as congestion and emissions.
- 3.5 **Component IV: Communication and outreach.** This component aims to disseminate the results of the different studies of this TC, in order to share experiences in the region. To this end, this component will finance the development, post-production, and dissemination of knowledge products resulting from this TC. These products may include, among others, technical notes and publications, videos, infographics, Brown Bag Lunch (BBL), events, or other media, and will have the collaboration of the Transport Division and, if necessary, external consultants.
- 3.6 The indicative budget of this TC is US\$628.000. The next table presents more details:

Indicative Budget

² The survey will analyze how to gather human resources information by gender as well as questions regarding the existence of barriers that prevent or not equal gender access to employment in the logistics sector.

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: Technical assistance for the implementation, management, and monitoring of logistics infrastructure projects.	Online training course on logistics and supply chain for public authorities	US\$40,000	US\$0	US\$40,000
Component II: Technical assistance in the implementation of plans and policies in freight logistics.	National Logistics Plan Updated	US\$165,000	US\$63,000	US\$478,000
	Market analysis and plans for freight transport and logistics projects	US\$100,000	US\$0	
	Engineering and pre-investment studies elaborated	US\$150,000	US\$0	
Component III: Development of city logistics initiatives.	Methodology for analysis of costs related to congestion in urban freight distribution and its implementation in selected cities	US\$70,000	US\$0	US\$70,000
Component IV: Communication and outreach ³	Knowledge products elaborated	US\$40,000	US\$0	US\$40,000
Total		US\$565,000	US\$63,000	US\$628,000

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 By request of the Ministry of Transport and Communications and in accordance with Item D, Annex 10 of GN-2629-1 and Item D, Annex 10 of OP-619-1, the TC will be executed by the IDB in coordination with the mentioned client entity. Given the scope of the activities in this TC and the different stakeholders involved, the execution by the Bank will: (i) facilitate coordination between the different public-sector and private-sector stakeholders. The IDB staff is expected to provide specialized technical knowledge on the activities that will be implemented. Therefore, the Bank will supervise the execution and delivery of consulting services.
- 4.2 In compliance with the Operational Guidelines for Technical Cooperation Products-Revised version (GN-2629-1), this TC is classified as Client Support. The technical responsibility belongs to the Transport Division (INE/TSP). The Transport Division (INE/TSP) staff at the IDB Country Office in Peru (CAN/CPE) will be responsible for its execution; both the Senior Transport Specialist in Headquarters and the Senior Transport Specialist of the IDB based in Peru, will oversee the supervision of the project.
- 4.3 The Bank will contract individual consultants, consulting firms, and non-consulting services in accordance with the Bank's current procurement policies and procedures: (i) the individual consultants will be hired in accordance with the guidelines set out in

³ Publications made through means different to the Bank's webpage are included in the Indicative Budget.

the AM-650; (ii) the procurement process for consulting firms will follow the Bank Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-4) and the related Operational Guidelines (OP-1155-4); and (iii) the procurement of non-consultant services will follow the Bank Corporate Procurement Policy (GN-2303-28). The Bank will retain the intellectual property rights to the products under component IV that will subsequently be disseminated as Bank knowledge products.

- 4.4 **Direct hiring.** In accordance with Bank's policy GN-2765-1 and guidelines OP-1155-4, direct contracting is justified for smaller amounts of contract equal or less than US\$100,000. It is anticipated that the Single Source Selection hiring modality will be used for the consultancy of "Technical advice for the development of the National Logistics Survey" and for the consultancy of "Methodology implementation to assess the impacts of congestion on supply chains in cities".
- 4.5 The execution period and the disbursement period will be 36 months. To monitor the operation including the counterpart financing, a meeting will be held every six months with the participation of the Team Leader and the counterpart.

V. MAJOR ISSUES

- 5.1 Risk in the execution of the TC are delays caused by the current conjuncture with COVID-19, which has led to the temporary closure of the activities of the Peruvian government agencies, and the impact on the studies proposed in the TC, in particular Component II. To mitigate these risks, the team will maintain a close dialogue with the government and will monitor with the Country Office mitigation measures to quickly adapt to new realities as they materialize.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 No exceptions to Bank's policies have been identify.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 Given the nature of this TC, negative environmental and social impacts are not foreseen, it is expected that this TC will be classified as Category "C" according to the Environment and Safeguards Compliance Policy (OP-703). The Safeguard Policy Filter Report and Safeguard Screening Form in the links show the project as category "C" ([SPF](#) and [SFF](#)).

Required Annexes:

[Request from the Client_47298.pdf](#)

[Results Matrix_69799.pdf](#)

[Terms of Reference_11167.pdf](#)

[Procurement Plan_56351.pdf](#)