

**Third Party Evaluator's Opinion on ODA Loan Projects Evaluated in Fiscal Year 2005
(Rural Highway Rehabilitation and Improvement Project)**

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Criteria-1 Relevance

An important institutional weakness of the transportation policies in Peru, (diagnosis done by the **Ministry of Transportation and Communications MTC**), is the centralistic nature of the system mostly because the Regional Institutions of transportation largely depend on the functions and administrative ability of the MTC, which leads to the malfunctioning of the planning and administration of the service itself. On the other hand the regulating entity that oversees these matters is also considered to be rather weak.

At an operative level the transportation network has been under the control of "Provias Nacional" (National Roads) from the MTC, within which the local networks are controlled by "Provias Departamental" (Departmental Roads), both of these entities provide support and coordination to the regional governments.

On August 10, 2006 the new elected President of Peru, Dr. Alan Garcia Perez passed the following law under Decreto Supremo No 029-2006-MTC: - The Special Project for the Infrastructure of Rural Transport - Provias Rural and Provias Departamental; bringing together these two institutions through the creation of a new entity known as Provias Descentralizado.

This in effect shows that, in spite of various administrative problems encountered in this project, such as the extended period of Consultant selection (planned period 10 months, actual period 22 months) and the Contractor selection (planned period 12 months, actual period 25 months) with the help of a new government that is committed to projects of this kind, the support of international institutions such as JBIC continues to be invaluable and the project continues to be relevant.

Criteria-2 Sustainability

There continue to be a number of problems in dealing with the Peruvian Government, as was evident in the report of Mr. Takeshi Yoshida (Torea Co. Ltd.) Nov-Dec 2005. para.2.2.2. where the various difficulties encountered led to delays of 3 years 10 months.

In a recent meeting of the Overseas Development Institute, an independent organization based in the UK, one Peruvian representative outlined the following uncertainties encountered in Peru : -

1. the current unpredictable social, political and institutional environment;
2. the fact that state institutions are inefficient and political groups weak at fulfilling different social interests.
3. the popular dissatisfaction with economic results; and
4. the persistent climate of institutional mistrust.

Also a researcher from the Centre for Latin American Studies at the University of Oxford noted the following challenges: -

1. High turnover of policy makers
2. The government is still closed to participation
3. Lack of understanding or interest of the key issues among the media
4. Lack of policy analysis

The above factors all have some effect on the sustainability of projects however there has been a notable improvement in the overall political environment in recent years and I believe this will continue under the new government and with their current emphasis on helping the poorer regions of Peru I believe there exist greater opportunities for sustaining and developing this project.