

45 Peru

Rural Highway Rehabilitation and Improvement Project

Contributing to the revitalization of trade with neighboring Bolivia and to the improvement of access to public facilities

Loan Amount/Disbursed Amount 16.421 billion yen/16.390 billion yen
Loan Agreement September 1996
Terms & Conditions Interest rate 2.7% (consulting service portion 2.3%),
 Repayment period 25 year (grace period 7 years), General untied
 January 2003
Final Disbursement Date
Executing Agency Ministry of Transport and Communication (<http://www.proviasnac.gob.pe>)



Project Objectives

The objective of this project was to carry out rehabilitation and construction of arterial roads in Peru's southern inland area by achieving smoother transportation in the region, and thereby revitalizing the regional economy, and contributing to the promotion of trade and commerce with coastal areas and the neighboring country of Bolivia.

Effectiveness & Impact

Rating **a**

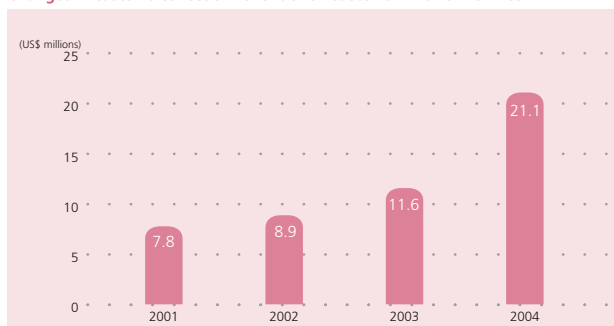
The annual average daily traffic (AADT) in 2005 was higher than planned for all sections which were restored or constructed by this project (the Cusco-Abancay, Yura-Santa Lucia, and Desaguadero-Santa Rosa sections). Following project implementation, travel time on all sections of roads under this project was vastly reduced. Travel time was reduced by approximately 20% on the Cusco-Abancay section, and reduced by approximately 50% on both the Yura-Santa Lucia and the Desaguadero-Santa Rosa sections. In the beneficiary survey (135 households along roads constructed and rehabilitated by this project), 50-80% of respondents indicated that access to public facilities had improved. The customs collection revenue of the custom office in Puno province, which has jurisdiction over trade with the neighbouring country of Bolivia, showed a nearly three-fold increase from 2001 to 2004. As such, this project presumably has contributed to the revitalization of trade with Bolivia. Therefore, this project has largely achieved its objectives, and effectiveness is highly satisfactory.

Relevance

Rating **a**

This project has been highly relevant with Peru's national policies both at the time of the appraisal and at the time of the ex-post

Changes in customs collection revenue for Customs in Puno Province



evaluation. At the time of the appraisal, the rehabilitation of roads connecting the coastal and inland areas, as well as that of inland roads running from north to south was one of the major tasks of the 10-Year Program for the Rehabilitation of the Transport Network. As such, this project was of high priority. At the time of the ex-post evaluation, the strengthening of transportation infrastructure to integrate South American countries was being emphasized.

Efficiency

Rating **c**

The project period is much longer than planned (248% of planned period) while project cost slightly exceeded the plan (106% of planned expenses); therefore, the evaluation for efficiency is low. Main causes for project delays and increases in project expenses included extensions of the construction period and yen's depreciation against the US dollar.

Sustainability

Rating **a**

No major problem has been observed for capacity of the executing agency nor the operation nor its maintenance system, therefore, sustainability of this project is high. Since the executing agency has contracted a private business for minor repairs, it has created an efficient maintenance system.

Conclusion, Lessons Learned, Recommendation

In light of the above, this project is evaluated to be satisfactory. This project has contributed to achieving the policy goal of wide-area transportation development. However, from the standpoint of regional development and traffic safety, it is desirable to adopt policies such as walkway construction in urban areas, the network of regional roads (feeder roads), and roadside stations.

Third-Party Opinion

The new Garcia administration is emphasizing the development of the regional road network and emphasizing support for this field. Taking into account the recent political environment and the current policies for impoverished regions, it is expected that this project will sustain itself.

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