



# Rural Highway Rehabilitation and Improvement Project (2)

Contributing to regional economic development by upgrading major roads linking inland and coastal regions

Latin America **Peru**



**[External evaluator]**  
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### Rating

Effectiveness, Impact	a	Overall rating <b>B</b>
Relevance	a	
Efficiency	c	
Sustainability	a	

### Project Objectives

To secure the smooth flow of traffic and to secure access to markets and employment opportunities for those living in poverty by improving the transverse roads that connect the interior and coastal areas, thereby contributing to the economic revitalization of interior areas and alleviation of regional disparities.

### Outline of the Loan Agreement

- Loan amount / disbursed amount: 9,184 million yen / 9,183 million yen
- Loan agreement: November 1997
- Terms and conditions: 2.7% interest rate; 25-year repayment period (including a 7-year grace period); general untied
- Final disbursement date: March 2006
- Executing agency: Ministry of Transport and Communication (MTC)
- Website URL: <http://www.mtc.gob.pe/portal/itramites.htm>

## Effects of Project Implementation (Effectiveness, Impact)

The annual average daily traffic (AADT) has increased on the two arterial roads that have been upgraded under this project. The AADT on the northern road between Chiclayo and Chongoyape (60 km) grew by 1,847 vehicles before the project to 3,212 vehicles at the time of the ex-post evaluation, up 71%. Likewise, it rose 191%, from 46 vehicles to 134 vehicles, on the southern road between Abancay and Chahuanca (120 km). The travel time for a passenger car was substantially reduced from 90 to 120 minutes to 50 to 60 minutes on the northern road and from 200 to 240 minutes to 120 to 140 minutes on the southern road.

Road improvement projects have had a major impact on the regional economy and this project is no exception. The Gross Regional Domestic Product (GRDP) of the regions covered by the project has been steadily on the rise. Many residents have noted a number of economic benefits from improved access, including an increase in the number of tourists, more job opportunities, and improved convenience in daily life.

This project has largely achieved its objectives and its effectiveness is high.

## Relevance

This project has been highly relevant with Peru's national policies and development needs at the times of both appraisal and ex-post evaluation. The roads upgraded under the project provide regional hub cities (Chiclayo in the north and Cusco in the south) with a link to a major road network, underlying the significance of roads as a foundation of regional economic development.

## Efficiency

Both project period and project costs were higher than planned; therefore the evaluation for efficiency is low. It took 268% of the planned period and 125% of the planned cost. Extension of the project period occurred because the Peruvian government put a priority on financing for Phase I of this project after it imposed restrictions on external borrowing, and the procurement process was temporarily suspended due to the lack of funds.

## Sustainability

No major problem has been observed in the capacities of the executing agencies (a government agency in the north an outsourced private company in the south) nor their operation and maintenance (O&M) system; therefore sustainability of this project is high. The O&M budget is appropriately allocated and there are no major problems in the technical aspects.

## Conclusion, Lessons Learned, Recommendations

In light of the above, this project is evaluated to be satisfactory. The evaluator proposes a number of recommendations. For the northern road, safety measures should be strengthened to reduce speeding vehicles, and an agreement should be reached with the residents so that they stop setting up illegal speed bumps. The southern road faces two major challenges: the risk of soil erosion and landslides, and the risk of accidents at points of poor visibility. The construction of retaining walls along this mountainous road will require a large budget with careful consideration to cost effectiveness.



A tollgate at Pomalca in the city of Chiclayo