

The proposed project aims at ensuring a sustainable and successful transfer of expertise to the newly-created regional governments to efficiently manage the regional road network. To do so, it will build on the technical and methodological experience gained in implementing rural road management (First and Second Rural Roads Projects) and transferring it to the municipal levels. The project will also strengthen the decentralization process and increase its impact on public sector management and on local development. As demonstrated at the municipal level by the Second Rural Roads Project, the road sector is a good starting point to operationalize the decentralization process and empower local governments. In a second stage, the experience gained in the road sector can be fruitfully applied by local governments to other infrastructure sectors (e.g., within a comprehensive rural infrastructure strategy as it is proposed in the CAS). In a similar fashion, the proposed project could prepare the ground for increased involvement of regional governments in other infrastructure sectors as envisioned in the decentralization agenda of the Government of Peru. Finally, this project builds extensively on the decentralization reforms implemented under the Programmatic Decentralization and Competitiveness Structural Adjustment Loan

### **3. Project Description**

The project will include five components, each moving at a different pace depending on the participating region.

***Component 1: Participatory regional road planning (estimated cost US\$9.8 million of which US\$4.9 million would be financed by the Bank Loan).*** This component will finance the preparation of participatory regional road plans-aligned with the existing regional development plans-and elaborate a diagnosis of the sector in a particular region, analyze the supply and demand for transport services and infrastructure, and prioritize and evaluate road investment options, towards identifying the sub-project priorities that could be funded under the project. A prioritizing methodology, including a combination of both economic potential and poverty level criteria, has been prepared as part of project preparation, with due attention to environmental and social issues. The preparation of these plans will be handled by the planning units of the regional governments, with the technical assistance of consultants. Provias Departamental will facilitate the process (eg. organize coordination event) and monitor the preparation of the plans. Ultimately, plans have to be formally approved by the regional council or by competent commission of the regional government. Some participatory regional road plans have been initiated and - in certain cases - finalized, as part of project preparation. This component will help finalize these plans in every eligible region, by financing the related costs (organization of participatory planning, training of the planning units, dissemination and coordination costs, updating or revision of certain plans). It will also finance the various feasibility and technical studies for the road segments prioritized through participatory planning. As part of project preparation, a significant number of these plans have been either completed (6 of them as of March 2005) or should be completed by August 2005 (at least 7 additional ones). The component will finance the completion of all the plans and the updating of, at least, the first ones (plans are expected to be revised every 4 to 5 years).

***Component 2: Road upgrading (estimated cost US\$149.7 million of which US\$37.43 million would be financed by the Bank Loan).*** The objective of this component is to rehabilitate about 2,200 km of regional roads prioritized through participatory planning (under component 1) and to perform the periodic maintenance of 2,706 km of regional roads rehabilitated by Provias Rural and transferred to regional governments. Although only about a third of the secondary network would be upgraded as a result of this component, the ultimate development impact is expected to be high since the road segments to be upgraded would be selected according to their relevance for regional development. Regional governments would contract private enterprises to perform the rehabilitation works and engineering consultants to carry out the relevant supervision, with the technical support and oversight of the PVD. The related upgrading tasks will contribute to skilled and unskilled employment generation in the regions. None of the works to be undertaken under this component will require resettlement or imply major impacts to the natural environment. As part of project preparation, 8 road segments (532 km) have been identified and feasibility and technical studies have been prepared. The rehabilitation of these 8 roads as well as some periodic maintenance activities will therefore be able to start shortly after the expected date of Board approval.

***Component 3: Road maintenance (estimated cost US\$19 million of which US\$0.85 million would be financed by the Bank Loan).*** This component would finance the routine maintenance - and the related supervision - of the 4,900 km of regional roads rehabilitated (or having received periodic maintenance) under the previous component. In addition, it would finance specific road maintenance interventions (annual mechanized maintenance also called *perfiles* in Spanish) performed once a year right after the rainy season. Building on the successful experience of the Rural Roads projects I and II, maintenance would be performed by mechanisms similar to the micro-enterprise model. The *perfiles* could be performed under force-account but the amount to be reimbursed by the project would be fixed per kilometer and subject to a maximum per region [to be defined at appraisal]. These activities are expected to generate unskilled employment opportunities, that could benefit to the rural poor. Particular attention will be paid to ensuring the sustainability of the model (i.e., that sufficient funding is dedicated by regional governments to maintenance and that micro-enterprises are adequately contracted to perform such maintenance). These activities will follow environmentally sensitive approaches, following current practices in Peru and other Latin American countries. This component will benefit from the experience of the 2,706 km of roads transferred by Provias Rural (all of them are currently maintained by micro-enterprises).

***Component 4: Institutional strengthening (estimated cost US\$17.5 million of which US\$6.825 million would be financed by the Bank Loan).*** This component-to be managed centrally by PVD-is aiming at providing the technical assistance needed to upgrade regional governments' institutional capacity and will be built upon comprehensive institutional assessments performed during project preparation (as part of project preparation, comprehensive institutional assessments have been prepared in 8 "fast track" regions.). Activities under this component include: (a) the rationalization of the current institutional framework and in particular the restructuring (possibly merging) of the RRDs (formerly with the Ministry of Transportation and Communication) and the RIMUs, newly-created as part of the organizational structure of the regional governments; (b) supporting a transition from direct administration of road maintenance/rehabilitation to contracting it to the private sector; (c) training in safeguards management; (d) clarification and assignment of regulatory responsibilities (for instance those related to the regulation of transport services and to road safety); (e) actions for the restructuring of the PVD; and (f) monitoring, auditing and evaluation. Resources (up to a total of US\$200,000) have been allocated as well for possible studies related to the management of the regional road network in the context of national transport policies and programs, complementing other existing resources that focus on overall transport policy formulation. Eligible expenditures for this component will include technical assistance, studies and evaluations, as well as training, dissemination and coordination costs.

***Component 5 : Project administration (estimated cost US\$4 million to be financed exclusively from national counterpart funds).*** The costs related to project administration by PVD would fall under this component.

#### 4. Project Location and salient physical characteristics relevant to the safeguard analysis

The project investments will be located in 21 of the 24 Peruvian regions (departamentos). The departamentos of Ucayali, Madre de Dios and Lambayeque have no or little regional roads, and would therefore not be eligible to the project's investment components (but they would be eligible to the other components). The investments in those regions will be identified through participatory regional road plans, and outside of environmentally protected areas and site of high cultural or social significance as specified in the environmental assessment report and the Project Operational Manual. The investments consist of rehabilitation and periodic maintenance of existing regional roads. After the execution of these investments, adequate routine maintenance will be performed to ensure sustainability

#### 5. Environmental and Social Specialists on the Team

Mr Juan D. Quintero (LCSEN)

Mr Alonso Zarzar Casis (LCSEO)

6. Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)		X
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)		X
Cultural Property (OPN 11.03)	X	
Indigenous Peoples (OD 4.20)	X	
Involuntary Resettlement (OP/BP 4.12)	X	
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X

## II. Key Safeguard Policy Issues and Their Management

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: The project does not foresee any major environmental or social issues due to the small nature and simple technical characteristics of the interventions.

The project will only finance rehabilitation or maintenance activities for existing regional road segments. No significant environmental impact is expected that could threaten, in a direct or indirect manner, the natural environment in the project's areas of intervention. Therefore, the project has been categorized as "category B" according to the Bank Operational Procedure [OP 4.01]. This categorization is justified by the fact that the project's activities are not expected to have major environmental impact and that related prevention, mitigation or compensation measures can be easily identified and implemented with an adequate environmental management system in place during the

various phases of the project cycle. The most significant impact actually happened in the past, when these roads were built.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The implementation of the project should lead ultimately to improve the living conditions of the population of the selected regions. The participatory regional road plans are aligned with the development strategies of the regions and specific productive activities are expected to be carried forward with the execution of the infrastructure investments. These productive activities however are, in line with project interventions, of a localized nature and normally involve ongoing endeavors that require enhanced infrastructure conditions for improving their commercial competitiveness. In sum, the longer term impacts will be beneficial to the local population without creating any noticeable impacts on existing natural environments.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The project might trigger the policies OP 4.12 (Involuntary Resettlement) and OD 4.20 (Indigenous Peoples). Following policy requirements, the borrower has prepared two frameworks, one for Involuntary Resettlement and another one for Indigenous Peoples development Plans. Specific plans cannot be prepared before appraisal because of the nature of this project which is to support decentralization at the national level and to transfer responsibilities to the regional governments, and it is not known at appraisal whether the works for rehabilitation would entail resettlement or would affect indigenous peoples lands. Besides these policy requirements, the borrower is preparing two detailed methodological guidelines to address resettlement and indigenous people's issues. The guidelines will be used as inputs for the capacity building component of the project and to strengthen regional skills regarding these subjects.

During project preparation, five major environmental issues were considered, in agreement with the Bank Quality Assurance Team (QAT): (a) review of the Bank's safeguards policies that are applicable to the project; (b) preparation of a conceptual framework for the project's environmental management; (c) environmental assessment of the first 8 road segments to be rehabilitated during the first year of operation; and (e) compliance with the national legislation.

An evaluation of the existing institutional capacity to deal with environmental matters of each of the actors involved has been prepared. Based on this diagnostic, an institutional strengthening plan has been prepared, which identifies actors, requirements and resources available for environmental management. Taking into account the fact that regional governments are going to assume the largest responsibility for project implementation, particular attention has been paid to the strengthening of their capacity. Within their

current organization, regional governments include an environmental unit but most of them have a very low capacity or are not operational. For that reason, the largest part of the institutional strengthening plan is targeted toward regional governments.

Taking into account the results obtained and the various measures and activities that have been performed during project preparation, it can be concluded that the project has properly addressed the environmental requirements and that it complies with the Bank environmental safeguards policies.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Consultation and disclosure with the regional governments has taken place during a seminar organized with the participation of 10 regional governments (presidents of the regional council and/or general managers). In addition, in the pilot development of Participatory Regional Road Plans in 13 Peruvian regions. 6 of these plans are now finalized and 7 additional ones have been well-advanced as part of project preparation. All relevant stakeholder groups from communities, municipalities, private sector, civil society and regional government have participated in the elaboration of these plans

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#### ***B. Disclosure Requirements Date***

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##### **Environmental Assessment/Audit/Management Plan/Other:**

Date of receipt by the Bank	04/12/2005
Date of "in-country" disclosure	04/14/2005
Date of submission to InfoShop	04/19/2005
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

##### **Resettlement Action Plan/Framework/Policy Process:**

Date of receipt by the Bank	04/18/2005
Date of "in-country" disclosure	04/19/2005
Date of submission to InfoShop	04/19/2005

##### **Indigenous Peoples Development Plan/Framework:**

Date of receipt by the Bank	04/15/2005
Date of "in-country" disclosure	04/19/2005
Date of submission to InfoShop	04/19/2005

**\* If the project triggers the Pest Management, Cultural Property and/or the Safety of Dams policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

**If in-country disclosure of any of the above documents is not expected, please explain why:**



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#### ***C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)***


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<b>OP/BP/GP 4.01 - Environment Assessment</b>	
Does the project require a stand-alone EA (including EMP) report?	No
If yes, then did the Regional Environment Unit review and approve the EA report?	
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	
<b>OPN 11.03 - Cultural Property</b>	
Does the EA include adequate measures related to cultural property?	Yes
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes
<b>OD 4.20 - Indigenous Peoples</b>	
Has a separate indigenous people development plan been prepared in consultation with the Indigenous People?	No
If yes, then did the Regional Social Development Unit review the plan?	
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit?	
<b>OP/BP 4.12 - Involuntary Resettlement</b>	
Has a resettlement plan, abbreviated plan, or process framework (as appropriate) been prepared?	No
If yes, then did the Regional Social Development Unit review and approve the plan / policy framework / policy process?	
<b>BP 17.50 - Public Disclosure</b>	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes
Have costs related to safeguard policy measures been included in the project cost?	Yes
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes

**D. Approvals**

<b>Signed and submitted by:</b>		<b>Name</b>	<b>Date</b>
Task Team Leader:		Mr Aurelio Menendez	04/19/2005
Environmental Specialist:		Mr Juan D. Quintero 	04/19/2005
Social Development Specialist		Mr Alonso Zarzar Casis 	04/19/2005
Additional Environmental and/or Social Development Specialist(s):			

<b>Approved by:</b>		
Regional Safeguards Coordinator:		
Comments:		
Sector Manager:	Mr Jose Luis Irigoyen 	4/21/05
Comments:		