

**PROJECT INFORMATION DOCUMENT (PII)  
APPRAISAL STAGE**

Report No.: <b>Project Name</b>	Peru Water Resources Management Modernization
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Sector</b>	General water, sanitation and flood protection
<b>Project ID</b>	P107666
<b>Borrower(s)</b>	REPUBLIC OF PERU
<b>Implementing Agency</b>	National Water Authority (ANA) under the Ministry of Agriculture (MINAG)
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	October 14, 2011
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<b>Date of Board Approval</b>	July 2, 2009

### 1. Country and Sector Issues

Peru faces increasing water shortages, especially in the coastal region where more than 70 per cent of the population lives and which generate most of the country's Gross Domestic Product (GDP). Irrigation accounts for 80 per cent of water use, but efficiency is low. The Peruvian piedmont and coastline are prone to devastating floods and mud-flows mainly due to the high precipitation in degraded upper basins; while the southern part of the country is particularly prone to droughts. In addition to the quantity limitations and variability, water quality is deteriorating due to the release of untreated effluents from mining, industries, municipalities, uncontrolled dumping of municipal and industrial solid waste, and uncontrolled use of agrochemicals.

Increasing conflicts due to water scarcity and pollution have created a pressing need to tackle Water Resources Management (WRM) issues in Peru, and in particular, reform institutions. Peru's Water Resources Law (*Ley de Recursos Hídricos* – LRH, published March 31, 2009) and the draft National Water Resources Management Strategy contain the necessary elements for sound WRM as stated in international good practices. Basically, WRM should be *integrated, participatory, decentralized to the river basin level* and should recognize water as a *social and economic good*.

The newly created National Water Authority (*Autoridad Nacional del Agua* – ANA), improves the prospects for integrated WRM at the river basin level, because, contrary to the former Water Resources Intendancy (*Intendencia de Recursos Hídricos* – IRH), it has a clear mandate for integrated, multisectoral WRM, it enjoys financial and administrative autonomy, will be able to issue sanctions and will have local offices in the river basins. ANA will have River Basin Authorities (*Autoridades Administrativas del Agua* – AAA), in each of Peru's 14 hydrographic regions and Local Water Authorities (*Autoridades Locales de Agua* - ALA) in selected river basins. However, ANA still reports to the Ministry of Agriculture (*Ministerio de Agricultura* – MINAG), while agriculture is a major consumer and polluter of water resources, which could make difficult the impartiality required for adequate WRM, if adequate participatory mechanisms among key water stakeholders are not put in place and enforced.

In addition to MINAG, the newly created Ministry of Environment (MINAM) and the Ministry of Health (MOH) also have critical WRM responsibilities. MINAM is responsible for the generation of meteorological and hydrological information through its Meteorological and Hydrological National Service (*Servicio Nacional de Meteorología e Hidrología* – SENAMHI). The regional governments are responsible for the operation and maintenance (O&M) of major public hydraulic infrastructure. Regional and local governments, through their membership in the CC, participate in basin-scale WRM planning and undertake water quality and discharge monitoring and control actions in their jurisdiction.. Integrated WRM will require strong cooperation/coordination between these institutions.

The Project will support the Government of Peru (GOP) strengthening WRM institutional capacity to implement the new LRH. More specifically, the Project will support the creation, capacity building and operation of river basin organizations (AAA, ALA and CC) in three pilot basins, namely Chancay-Lambayeque, Chancay-Huaral and Chili; and strengthen ANA at the central level to support them.

*Financial challenge.* In Peru, financing WRM depends mostly on two sources: Government budget and water use and discharge fees. Those financial resources had been extremely limited and insufficient to adequately address WRM issues. The creation of ANA, by raising the mandate for WRM within MINAG, has already increased significantly the budget allocated to WRM. In addition, there is a significant scope for increasing revenues from water users and polluters discharge fees. The Project will finance a WRM financing study aimed at ensuring sufficient financial resources for adequate participatory, integrated, basin-scale WRM. The proposed study would also recommend ways to improve economic incentives for increasing water use efficiency and reducing pollution. In parallel, the Project will support improvements in water rights and discharge permits administration to increase the revenue base and collection rates (see below).

*Human resources challenges.* In partial consequence of the inadequate financial resources, the Water Resources Intendancy (IRH) had insufficient qualified staff. The creation of ANA is expected to improve this situation. In addition to the IRH staff which has been transferred, ANA will hire additional staff, mostly as consultants, in order to provide competitive salaries. During the life of the Project, the core team for Project implementation will be financed by the Project. The additional financial resources from budget and water use and discharge fees should provide financial sustainability after the Project allowing for the larger and more qualified ANA staff.

*Inadequate water information.* Knowledge of water availability, quality, use and discharge in time and space is essential for effective day-to-day national and river basin WRM. However water information is insufficient, fragmented and unreliable in Peru. There is no national water information system, integrating water availability, quality, and use and discharge aspects. The Project will support the creation of a national water information system that will integrate surface and groundwater quantity and quality data, as well as water use and discharge information. In order to do so, data and information sharing protocols between ANA and SENAMHI will be issued. The Project will also strengthen the hydro-meteorological observation networks in the three pilot river basins and will support design and implementation of a water quality monitoring program in the Chili river basin and a water discharge monitoring program in the Chili and Chancay-Lambayeque river basins, particularly affected by water quality problems.

*Deficient water rights administration.* Peru has an incomplete water use rights and discharge permits system and a lack of administrative and operational means for their monitoring and enforcement. The Project will improve water rights administration by updating agricultural water rights, extending the formalization of water rights to non agricultural water uses, and developing procedures for monitoring water users compliance and enforcing the terms and conditions of water rights entitlement.

*Unsatisfactory River Basin Planning.* Preliminary river basin management plans have been prepared for Peru's ten coastal river basins. Although these plans have had some participatory aspects, they have mostly been developed using top-down approaches, and have had insufficient buy in by the various stakeholders. The Project will support the development of participatory, integrated, basin-scale WRM plans in the three pilot river basins, in line with international good practices. It is expected that participatory planning will lead to increase stakeholders' ownership of the plans and to their actual implementation.

*Limited awareness on water quality and quantity issues and on the new legal and institutional framework for WRM.* There is limited awareness on the issues related to water scarcity and quality deterioration and the way to best address them. There is also little understanding and a lot of misconceptions about the role, functions, responsibilities and rights of public institutions and various water stakeholders groups. The rapidly evolving legal and institutional framework for WRM has contributed to this situation. The Project will support the formulation and early implementation of Government's program aimed at promoting a new "water culture" among decision makers, water professionals, children and the general public.

## **2. Objectives**

The Project Development Objective (PDO) is to strengthen the capacity for participatory, integrated, basin-scale water resources management (WRM) at the central level and in selected pilot river basins. The achievement of the PDO will be monitored through the following outcome indicators:

- Improved national strategies and regulatory and normative framework for WRM
- River Basin Organizations are created in selected river basins and have addressed successfully critical WRM issues in an integrated manner.

## **3. Rationale for Bank involvement**

Over the past ten years, the Bank has had a long, successful involvement with Peru's water sector. Through the World Bank supported Irrigation Subsector Projects I and II (*Proyecto Subsectorial de Irrigación-PSI*), it has supported: (a) the strengthening of Water User Organizations (*Juntas de Usuarios*) in irrigation areas in all of the coastal river basins and the transfer of operation and maintenance of irrigation and drainage systems to these organizations; (b) the development and implementation of a successful approach to agricultural water rights formalization and registration; and (c) the formulation of the draft National WRM Strategy and of preliminary WRM plans in critical Pacific river basins. With its global WRM experience and

deep level of involvement in the environment sector dialogue in Peru, the Bank can play a unique role, through the Project, in supporting sound integrated WRM at the basin level, particularly in:

1. advising the GOP and ANA on ways to implement participatory, integrated WRM at the river basin level through the creation of efficient river basin organizations and the formulation of integrated WRM plans, with participation of all stakeholders;
2. helping GOP and ANA develop mechanisms for the financing of WRM at the national and basin levels, considering water as an economic and social good, while enhancing the incentives for the sustainable use of water resources and pollution abatement;
3. supporting the development of an effective and integrated water information system, covering water availability, use, quality and discharge aspects; responding to the needs of water professionals and decision makers;
4. strengthening water rights and discharge permit administration, a key WRM tool;
5. supporting GOP in the design and implementation of a successful program aimed at promoting a new “water culture” (*Cultura de Agua*).

#### **4. Project Description**

The proposed lending instrument is a Specific Investment Loan (SIL) of US\$ 10 million over a five year period. The overall project cost is estimated at US\$ 23.67 million. It would be implemented through the following components:

##### **Component 1. Improving WRM Capacity at the National Level (total cost US\$6.62 million, IBRD loan US\$3.03 million)**

This component aims at improving the institutional capacity at the central level to facilitate/support integrated, participatory WRM at the basin level. It will include four subcomponents:

*Sub-component 1.1. Strengthening ANA’s Capacity (total cost US\$2.60 million, IBRD loan US\$1.60 million):* The Project will strengthen the capacity of the newly created ANA by supporting a core team, including financing of equipment, hiring of consultants and provision of technical assistance. The core team, consisting of both administrative and technical experts, will provide the foundation for basin-scale, participatory, integrated WRM in the institution and will be maintained once the Project closes. The core team will also be responsible for overall Project implementation. In addition, the Project will support the carrying out of a study for financing WRM functions at the national and river basin levels as well as Project audits.

*Sub-component 1.2. Establishing the National Water Information System (total cost US\$1.95 million, IBRD loan US\$0.98 million).* The Project will support the establishment of the national water information system through the provision of technical assistance, training, equipment, and software. The national water information system will integrate into one single information system, water-related data and information currently dispersed among various institutions.

*Sub-component 1.3. Formulation of a National Water Quality Management Strategy (total cost US\$0.20 million, IBRD loan US\$0.08 million).* The Project will support the formulation of a

national strategy for water quality management, considering water quality monitoring, discharge control and enforcement.

*Sub-component 1.4. Carrying out of activities aimed at promoting the “Cultura del Agua” Program (total cost US\$1.87 million, IBRD loan US\$0.37 million).* The Project will support ANA in the design and launch of a program aimed at promoting a new “water culture” among decision makers, water professionals and the general public. This will include: (a) the design and implementation of an awareness program targeting the general public in up to ten coastal river basins, (b) the capacity building of decision makers in WRM in up to ten coastal river basins and (c) the capacity building of water professionals including: (i) carrying out an independent needs assessment of ANA’s requirements to be able to deliver IWRM in a high quality way; (ii) a skill inventory to identify the gaps between needs and skills availability; and (iii) the formulation and implementation of a capacity building program to fill these gaps.

**Component 2. Improving WRM in selected River Basins (Total cost: US\$ 27.35 million, IBRD loan: US\$ 7.22 million, IDB loan: US\$ 10 million)**

*Sub-component 2.1. Implementation of participatory, IWRM in selected pilot river basins (total cost US\$ 26.62 million).*

The Project will support, in in three pilot river basins, namely Chili, Chancay-Huaral, Chancay-Lambayeque, the creation and/or strengthening and early operation of: (a) local ANA offices (AAA and ALA); (b) River Basin Councils (CC) and (c) regional offices of SENAMHI.

This will include: (a) the adaptation of the institutional organization, composition and functions of AAA, ALA and CC in each river basin based on the local context, including the coordination and accountability mechanisms between these entities and other stakeholders; (b) the development of operational management instruments for AAAs; and (c) setting-up and financing a local core team in each of the involved AAA/river basins.

A key activity will also be (d) carrying out a study for financing WRM functions (in line with the study developed in sub-component 1.1) detailing how water users and polluters, and central, regional and local governments would participate in the financing of WRM in each of the selected pilot basins.

In addition, the Project would finance the development/strengthening of key WRM instruments, including: (e) the development and improvement of WRM plans and hydrological and decision making models; (f) the development of operation and maintenance plans for major hydraulic infrastructure, including dam safety procedures; (g) strengthening water users rights administration through the provision of TA to: (i) update agricultural water rights; (ii) formalize non-agricultural water rights; and (iii) develop procedures for monitoring water users’ compliance and enforcing the terms and conditions of water rights entitlement; (h) upgrading the hydro-meteorological observation networks and transmission systems and strengthening the capacity of SENAMHI’s regional offices; (i) development of a water quality management program in Chili river basin and discharge monitoring programs for Chili and Chancay-Lambayeque river basins; (j) provision of training, TA and goods to promote the new water culture program including, inter alia: (i) the introduction of courses promoting the new water

culture in the standard curriculum of primary and secondary schools; (ii) the production and distribution of didactic material and (iii) the training of teachers; (k) carrying out of works and procurement of goods for small emergency maintenance, repair or replacement interventions on small hydraulic works and equipment.

Sub-component 2.2. Discussion, improvement and validation of preliminary diagnostics and water management plans with key stakeholders in four of the Selected River Basins (total cost US\$0.73 million, IBRD loan US\$ 0.22 million).

It is expected that the experience gained in the pilot river basins under sub-component 2.1 will eventually be extended to other basins in the country. The purpose of this component is to prepare the groundwork in four additional river basins (Puyango-Tumbes; Jequetepeque; Ica-Huancavelica; and Moquega-Tambo) for the creation of CCs as a locus for participation and consensus building among all stakeholders in the water sector around the discussion, improvement and validation of preliminary diagnostics and water management plans with key water stakeholders.

## 5. Financing

Source:	(US\$m.)
BORROWER	13.67
Inter American Development Bank	10.00
Total	23.67

## 6. Implementation

### Partnership arrangements

IDB is preparing a Water Resources Management Modernization project which is expected to be presented to its Board of Directors in July 2009. It will carry out similar activities as those included in Subcomponent 2.1 of the Project, implementation of participatory IWRM in pilot river basins, namely Santa, Chira-Piura and Tacna. It will not include any interventions at the national level and its activities will not overlap with those included in the Project. These parallel operations represent an opportunity for IDB and the Bank to strengthen their existing collaboration on Peru's WRM reform agenda and for Peruvian counterparts to glean knowledge from both institutions and to pilot somewhat different approaches. Although these are totally separate operations, IDB and the Bank are collaborating to ensure that both projects complement each other and contribute to helping Peru in their implementation of IWRM at the river basin level.

### Institutional and implementation arrangements

Project implementation responsibilities The Project will have one main implementing agency (ANA) and a co-executing agency (SENAMHI). ANA will be responsible for overall Project implementation. That is to say that the fiduciary aspects of the Project have been centralized in ANA headquarters. SENAMHI will be responsible for the technical implementation of the activities aimed at "strengthening the hydro meteorological observation networks" in the three

pilot river basins (see component 2.1) and will provide technical inputs to the design and operation of the national water information system (see component 1.2). SENAMHI will enter into agreement with ANA for the implementation of activities under its purview. This Project implementation agreement will be signed before any disbursement can be made related to the activities for which SENAMHI is responsible.

Project Implementation Unit. A Project Implementation Unit (PIU) will be created within ANA to be responsible for the implementation of the Project. It will be granted administrative, financial and budgetary autonomy and will be created no later than 60 days after loan signing.

Participation and coordination mechanisms. Participatory, integrated WRM involves many stakeholders. The Project will rely on a number of entities to ensure adequate participation of concerned stakeholders:

- (a) A multisectorial Project Steering Committee (PSC) will be established to provide high-level guidance, oversight, and control to the Project. It will be composed of the Project Coordinator in ANA and one representative of each of the following entities: MEF, MINAG, MINAM, ANA, regional governments of the three pilot basins, local governments of the three pilot basins, agrarian water users of the pilot basins and non agrarian water users of the pilot basins.
- (b) Multi-sectoral water commissions or working groups will be established at the national level to provide technical inputs to cross-sectoral WRM issues. More specifically for the Project, they would be established for the formulation of the WRM financing study and of the water quality management strategy, as well as for some activities aimed at promoting a new water culture.
- (c) CC will be set-up in each of the pilot river basins before June 30, 2010 and will participate in the formulation and validation of the basin-scale WRM plan, and in water quality and discharge monitoring and control in their jurisdiction.

Project's implementation will require close coordination with MINEDU and regional governments of the three pilot basins. Regional governments will participate, as members of the CC, in the formulation and implementation of the basin-scale WRM plans; in the formulation and implementation of the WRM financing strategy at the basin level, and in water quality and discharge monitoring programs (subcomponent 2.1). MINEDU will provide technical inputs to the design and implementation of the new water culture program, and more specifically to the activities targeting primary and secondary schools programs (subcomponent 1.5). Agreements between ANA and MINEDU will be signed before December 31, 2009 and CCs will be established before June 30, 2010.

Monitoring and evaluation of outcomes/results. ANA will have overall responsibility for Project monitoring and evaluation (M&E). A M&E specialist, member of the Project Implementation Technical Team, will work closely with the components coordinators at national level, the latter having their own M&E strategy and requirements. ANA will submit semi-annual progress reports to the Bank covering the status of implementation, outputs, outcomes, financial statements, procurement plans, environmental and social issues and actions taken to ensure

satisfactory Project implementation. Baseline studies, a mid-term review and a final evaluation will be conducted.

## 7. Sustainability

*Borrower's commitment and ownership* to the Project have been expressed by the following actions:

- GOP's commitment to tackle WRM issues has been demonstrated by the creation of a national water authority, ANA, in March 2008; the creation of the National Water Resources Management System (*Sistema Nacional de Recursos Hídricos – NWRS*) in July 2008 confirmed in the recently approved Water Resources Law, and the approval of the Water Resources Law, in March 2009, consolidating progress made so far through the creation of ANA and NWRS and transferring water quality management functions from the Ministry of Health (MINSA) to ANA. As mentioned earlier, the new Water Resources Law contains the necessary elements for sound WRM as stated in international good practices namely, *integration of sectoral policies, participation of stakeholders, decentralization of management to the river basin level* and recognition of water as a *social and economic good*. The Project is designed to support the implementation of the water resources law and this comprehensive approach to WRM.
- GOP's commitment to sound WRM is also reflected by a significant increase in the national water authority's budget, from US\$170,000 (former IRH) in 2008 to US\$13.5 million in 2009.
- ANA and SENAMHI expressed their commitment to the Project by actively participating in Project's formulation and by entering into a preliminary cooperation agreement for IWRM at the national and river basin levels and for Project implementation.

*Critical factors to Project's sustainability and their integration in Project design.* Sustainable, improved national and basin-level institutions for participatory, IWRM depend on a combination of factors, such as:

- Incentives of central government officials to support the devolution of authority to basin level organizations and the fair representation of stakeholders in decision making and management:
  - Contrary to the former IRH, which did not have local representation, ANA will have regional offices (AAA) in each of Peru's 14 hydrographic regions and local offices (ALA) at the river basin level. This is a big step towards devolution of authority to basin level organizations since AAA will act as the Water Authority in their jurisdiction. However, transfer of functions to the AAA/ALA will be gradual and in line with institutional capacity at the local level. *The Project will support the creation and will strengthen the capacity of the AAA/ALA whose jurisdictions include the three pilot river basins.*
  - The new water law foresees the creation of the CC as the mechanism for stakeholders' participation in WRM at the river basin level. Each CC will be created by Ministerial decree by the council of Ministers at request of ANA and concerned regional governments. CC composition will be tailored to the context

of each river basin. *The Project will support the creation of CC in three pilot river basins and will also prepare the groundwork for their creation in four additional river basins of the coastal area. The program promoting the Cultura del Agua, that the Project will support, should help creating well-balanced CC.*

- Incentives for ANA, MINAM, and other relevant Ministries to participate and support IWRM. ANA, contrary to the former IRH, has a clear mandate for IWRM. Participation from sectoral Ministries in IWRM will be facilitated through the ANA Board of Directors. This Board of Directors will allow concerned stakeholders to have a say in IWRM and should, by increasing participation in ANA operations, facilitate compliance with ANA decisions.
- Incentives for river basin stakeholders to assume and maintain responsibilities for participating in decision making and implementing of IWRM activities. Indeed, the effectiveness and sustainability of basin-level institutional arrangements is a function of stakeholders' commitment to them. This degree of commitment is essential to maintain the level of trust and reciprocity among stakeholders, which is in turn key to the success of the basin-level institution per se. The basic element to ensure stakeholder participation in WRM is the CCs. Those CCs are arrangements by which stakeholders articulate interests, share information, communicate, and take decisions, and collective actions. In order to ensure stakeholders ownership, the Project will:
  - Establish for each pilot basin a CC whose composition and structure will be tailored to the specificities of the basin. The CC would, when possible, be set-up from *existing* basin level stakeholders organizations and would be supported through a capacity building program. By building on existing stakeholders organizations, stakeholders will be expressing their views on basin management, committing resources to collective endeavors and accepting basin-level decisions in an familiar but strengthened institution;
  - Support the participation of CC in the development of a basin-scale IWRM plan for pilot river basins. This plan would be the basis for IWRM activities in the basin specifying stakeholders responsibility for implementation and financing;
  - Carry out the *Cultura del Agua* program that would increase the awareness among the policy makers and the general public on water issues and support local initiatives around WRM; and
  - Support information sharing and communication at the river basin level to reduce information asymmetry and promote cooperation among stakeholders. Since information will not be automatically perceived the same way by all stakeholders and the implication of the information about resource condition differs among communities of interest within the basin, it is important that there be a regular forum in which basin stakeholders can communicate as well as a forum for airing and resolving dispute. The CCs should be these fora.
- Adequate financial resources to make the intended management improvements possible in the first place, and then sustainable over time. The Project will support the formulation of a WRM financing study aimed at securing sufficient resources for basin

organizations financial sustainability and IWRM plans implementation. Financial resources would combine budgeted government funds and contributions from water users and polluters. Increased water users and local governments' ownership (see above) would improve commitment to financially supporting the river basin organizations. The *Cultura del Agua* program should also raise awareness on the economic value of water and the need for water use and discharge fees. Despite these measures, the risk that financial resources be insufficient for sound WRM is significant, particularly, outside the donors supported basins and after the Project closes.

## 8. Lessons Learned

Project design reflects the following lessons learned from Peru and international good practices:

There is a general consensus among water professionals on the principles for promoting sustainable and equitable WRM. Basically, WRM should be *integrated, participatory* (e.g. involving stakeholders in decision making and management), *decentralized at the river basin level* and should recognize water *as a social and economic good*. The proposed Project will support all four of these principles.

The theoretical underpinnings of IWRM are clear, but such a large task cannot be accomplished everywhere at once – or quickly. IWRM is inherently difficult. It requires sophisticated institutions and good governance which take time to establish, at least 10 to 15 years in developed countries. Time is also required for building water users trust in the new institutional arrangements and gradually participating and supporting integrated WRM. A selective and phased approach is therefore required. In this line, the Project will support setting-up river basin organizations in three pilot basins to enable IWRM. Lessons learned from this process will allow fine tuning the Project approach before expanding to the other river basins in the country.

With regard to the *integration of WRM functions*, a review of global experience suggests, that a focus on enhanced cooperation among existing institutions could be a first good step, when the political context is not conducive to the creation of an organization grouping all WRM functions. In this line, the Project will support the implementation of Project implementation agreements between ANA and SENAMHI, and ANA and the Ministry of Education (MINEDU). The Project will also support the participation of concerned sectoral ministries with activities affecting WRM, including Environment, Energy and Mines, Housing and Sanitation through their participation in commissions/working groups to address cross-sector WRM issues such as the formulation of a National Strategy for Water Quality Management. At the river basin level, CC would be set-up so that key water stakeholders, including regional and local governments, would participate in WRM planning and management at the basin level.

*Ownership and leadership* are key to sound WRM. While the assignment of ANA to MINAG is not ideal, as agriculture is a major user and polluter of water, it could be considered an appropriate, practical first step because: (a) MINAG is currently a very strong leader in reforming and moving towards IWRM, due to increasing conflicts between irrigators and other water users and polluters and (b) the institutional and political context in Peru is not mature enough to move ANA outside the purview of MINAG without causing significant social conflicts. The Project will therefore support Government strategy of building a strong ANA

within MINAG, while building consensus on the need for fair participation of all relevant government entities and other stakeholders in decision making and management.

*Stakeholders' participation* is related to more sustainable institutions and water resources use. Stakeholders involvement in WRM planning and management should ensure greater support for and cooperation with WRM efforts by decision makers and the general public, inclusion of the whole array of resources, uses and local conditions in the decision making process. The Project will support participation of key stakeholders through the constitution/strengthening of CC in the pilot river basins. The program to promote a new “water culture”, that the Project supports, will also have a key role to play in raising awareness of policy makers, government civil servants and the public at large on the issues related to WRM and the best ways to address them.

*A pervasive problem facing river basin organizations is securing adequate funding for WRM activities.* To mitigate this problem, ANA, along with the CC, should be given responsibilities for coordinating relevant financing mechanisms of existing organizations and ensuring the participation of stakeholders, including civil society and the private sector in WRM financing: one approach could be integrated planning, while leaving implementation and financing to existing organizations. The Project is in line with this approach. The integrated, basin-scale WRM plans would involve key water stakeholders and include activities that would be financed and implemented by many different organizations. In addition, the Project will support the formulation of a WRM financing study at the national and in the three pilot river basins. This study should include the granting to river organizations some degree of financial autonomy, as past experience indicates that this is a key element for effective decentralization at the river basin level. The program to promote a new “water culture” will also be key to increase central, regional and local governments' commitment to allocate sufficient funds to WRM and to pass and enforce the required regulations to increase cost recovery from water users and polluters.

*Lack of capacity and basic data* are frequently critical constraints to WRM. Weak capacity and unreliable and insufficient information makes difficult quality and informed decision making. The Project has a strong capacity building component (part of the *Cultura del Agua* Program) and interventions to improve access to water information in pilot river basins and nationwide.

Peru's experience with *decentralization of management to river basins* through River Basin Organizations (former *Autoridades Autonomas de Cuencas Hídricas* - AACH) has been in general unsuccessful because the legal framework for those institutions did not assign them to any anchor institution; they did not have political support, virtually no financial resources and were strongly dominated by agricultural interests. The newly established ANA improves the prospects for basin-scale WRM as AAA and ALA (its local offices) have an institutional anchor which will also improve the financial situation of basin organizations. AAA/ANA still report to MINAG, however River Basin Councils will be set-up, to ensure cross-sectoral and stakeholders participation in WRM planning and management, thereby mitigating the agricultural bias that an institution ascribed to MINAG may have.

Creating a shared vision among the Bank, borrowers and development partners is important to move towards participatory, integrated and WRM at the basin level. The Bank is working in close collaboration with the Inter-American Development Bank (IDB) to develop the WRM reform agenda. In addition, the *Cultura de agua* program, will have a key role to play to move

the dialogue beyond the usual technical ministries to involve politicians and the public in discussing development priorities through the IWRM planning process.

### 9. Safeguard policies that might apply

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
<u>Environmental Assessment</u> ( <a href="#">OP/BP/GP 4.01</a> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management ( <a href="#">OP 4.09</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cultural Property ( <a href="#">OPN 11.03</a> , being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples ( <a href="#">OD 4.20</a> , being revised as OP 4.10)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Forests ( <a href="#">OP/BP 4.36</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP/GP 7.60</a> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP/GP 7.50</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas