

Infrastructure

Stories of Impact

This series provides examples of our impact, expertise and lessons learned working with clients and partners.



Ensuring Local Communities Benefit from Extractive Industries in Peru

IFC is working with local governments in Peru to invest royalties from extractive industries in projects that benefit local communities.

More specifically, IFC aims to strengthen the investment capacity of 30 municipalities in eight extractive regions, ultimately benefiting 250,000 inhabitants, through the use of IFC tools, methodology, and a free web-based portal for municipal officials.

“One of the main benefits of using IFC’s tools and Municipal Royalty Investment methodology is that investment becomes more fluid because there is planning, order, and coordination amongst all the areas involved in the investment process.”

—Victor Cabello Andia, Planning Manager for Municipality of Independencia, Ancash.

RESULTS & IMPACT*

- Twenty-one municipalities set up investment committees to make better decisions and prioritize their investment portfolio.
- Nine municipalities approved multi-annual investment plans, which primarily focus on improving access to basic services and infrastructure, such as education, health, water and sanitation, transportation, and agriculture.
- Eight municipalities approved proposals that will reduce the implementation time for infrastructure projects by removing bottlenecks and streamlining internal processes.

SCALE-UP AND REPLICATION

- 1,275 municipalities – more than two thirds of Peru’s municipalities - and 15,300 individual users received advice and information through IFC’s web-based platform *Municipio al Dia*.
- Twenty-seven consultants from the Peruvian Social Development Agency were trained to bring Municipal Royalty Investment methodology and tools to 33 additional municipalities.
- Nineteen consultants from the Peruvian Ministry of Economy and Finance and a private university were trained to use Municipal Royalty Investment methodology and applied it to six additional municipalities.
- IFC is working with Colombian oil company Ecopetrol and a public administration institute in Colombia to launch a web-based platform, similar to *Municipio al Dia*.

**As of December 2012*

The Opportunity

Oil, gas, and mining companies, also called extractive industries, play a key role in Peru by contributing to economic growth and generating income for the government. The National Society of Mining, Petroleum and Energy (SNMPE) estimates that mining and energy investments in the coming years are expected to exceed \$35 billion. At the same time, Peruvian law mandates that the central government transfers part of the royalties received from these investments to local governments.

However, many communities living in municipalities receiving royalty transfers remain among the poorest in Peru. More than 40 percent of the 1.5 million inhabitants of these regions live below the poverty line, with more than half a million lacking access to basic services such as water and sewage.

While the royalties received by municipalities represent a great opportunity to lift communities out of poverty, local governments have difficulty translating these resources into projects that deliver tangible benefits to the population. Weak institutions and lack of management skills have led to limited investment capacity, at the local government level. This is underscored by the fact that by the end of 2011 half of the royalties received by the municipalities in Peru remained undisbursed.

Our Approach

IFC aims to strengthen investment capacity in 30 municipalities in eight extractive regions, ultimately benefiting 250,000 inhabitants, by:

- Promoting the adoption of good investment practices by providing municipal officers with relevant information, training, methodology, and tools including:
 - Establishing an investment committee to coordinate and oversee the implementation of investment projects
 - Using Municipal Royalty Investment methodology, developed with support from IFC, to systematically identify bottlenecks and weaknesses along the investment cycle
 - Using IFC's Municipio al Dia, a web-based platform that provides information and real-time on-demand advice from experts. More specifically, Municipio al Dia is a joint effort with a prestigious Peruvian think tank (Instituto de Estudios Peruanos) and aims to enhance municipal management by facilitating timely access to reliable information in cost-effective ways that can serve a large number of municipalities throughout Peru
 - Building mid-term planning capacity aimed at improving resource allocation to attend basic needs of local communities
- Building partnerships with private sector companies and consultants to facilitate the widespread adoption of related IFC methodologies and tools by a large number of municipalities.
- Working closely with Peru's Ministry of Finance and Economics to ensure that IFC tools are applied more broadly and are aligned with national priorities.

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

REGION: LATIN AMERICA AND THE CARIBBEAN | COUNTRY: PERU | STRATEGIC PRIORITY: INFRASTRUCTURE | BUSINESS LINE: SUSTAINABLE BUSINESS ADVISORY

CONTACT

Clara Ugarte Perrin | Lima, Peru
5750+2501 / 51-1-611-2501 | CUgarteperrin@ifc.org
ifc.org/sustainablebusiness

June 2013



IFC

**International
Finance Corporation**
World Bank Group