



<b>1. Project Data :</b>			
<b>OEDID:</b>	L4133		
<b>Project ID:</b>	P040123		
<b>Project Name :</b>	Debt and Debt Service Reduction Loan (DDSR)		
<b>Country:</b>	Peru		
<b>Sector:</b>	Other Non-sector Specific		
<b>L/C Number:</b>	L4133		
<b>Partners involved :</b>	Export-Import Bank of Japan		
<b>Prepared by:</b>	David Greene (Consultant), OEDCR		
<b>Reviewed by:</b>	Robert Buckley		
<b>Group Manager:</b>	Ruben Lamdany		
<b>Date Posted :</b>	07/17/1998		

**2. Project Objectives, Financing, Costs and Components :**  
This operation provided US\$ 183 million, which combined with US\$ 50 million set aside from the Pension Reform Adjustment Loan (L4134-PE), US\$ 100 million co-financed by the Export-Import Bank of Japan, and parallel financing by the IMF and IDB, helped Peru purchase the collateral required to implement a DDSR agreement with commercial banks. The objectives of the Loan were to reduce the burden of future debt service and thus help realize the benefits of Peru's economic reforms.

**3. Achievement of Relevant Objectives :**  
The DDSR agreement made possible by this loan resulted in a reduction of debt service equivalent to 11% of total public and publicly guaranteed debt (plus interest forgiveness). The present value of cash flow savings was estimated at US\$ 2 billion, given an internal rate of return of 27%. The interest risk was reduced by conversion of 85% of eligible debt after buyback into fixed rate instruments for the next 10 years.

**4. Significant Achievements :**  
Conclusion of the DDSR program improved Peru's standing in the international financial market, contributing to an increase in foreign direct investment and improved terms on new external borrowing.

**5. Significant Shortcomings :**  
none.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Highly Satisfactory	Highly Satisfactory	
<b>Institutional Dev.:</b>	Substantial	Substantial	
<b>Sustainability:</b>	Likely	Likely	
<b>Bank Performance:</b>	Highly Satisfactory	Highly Satisfactory	
<b>Borrower Perf.:</b>	Highly Satisfactory	Highly Satisfactory	
<b>Quality of ICR:</b>		Exemplary	

**7. Lessons of Broad Applicability :**  
DDSR operations can provide valuable assistance in reducing future debt obligations, but the quality of the country's reform program and the government's commitment to sustained implementation are critical.

**8. Audit Recommended?** ☐ Yes ☒ No

**9. Comments on Quality of ICR :**  
The ICR is highly satisfactory.

