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PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

PERU

# Sierra Rural Development Project

**Report No. 133068**
DECEMBER 20, 2018

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Report No.: 133068

# PROJECT PERFORMANCE ASSESSMENT REPORT

## PERU

## SIERRA RURAL DEVELOPMENT PROJECT
## (IBRD Loans 74430 and 82460)

December 20, 2018

***Financial, Private Sector, and Sustainable Development***

*Independent Evaluation Group*

## Currency Equivalents (annual averages)

*Currency Unit = Nuevos Soles (S/.)*

| | | |
|---|---|---|
| 2007 | $1.00 | S/. 3.13 |
| 2008 | $1.00 | S/. 3.17 |
| 2009 | $1.00 | S/. 3.21 |
| 2010 | $1.00 | S/. 2.76 |
| 2011 | $1.00 | S/. 2.70 |
| 2012 | $1.00 | S/. 2.63 |
| 2013 | $1.00 | S/. 2.86 |
| 2014 | $1.00 | S/. 2.86 |
| 2015 | $1.00 | S/. 3.20 |
| 2016 | $1.00 | S/. 3.40 |
| 2017 | $1.00 | S/. 3.25 |
| 2018 | $1.00 | S/. 3.31 |

## Abbreviations

| | |
|---|---|
| IBRD | International Bank for Reconstruction and Development |
| ICR | Implementation Completion and Results Report |
| IEG | Independent Evaluation Group |
| MARENASS | *Manejo de Recursos Naturales en la Sierra Sur* (resource management program) |
| MIS | management information system |
| PPAR | Project Performance Assessment Report |

*All dollar amounts are U.S. dollars unless otherwise indicated.*

## Fiscal Year

Government: July 1—June 30

| | |
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| Director-General, Independent Evaluation | Ms. Sophie Sirtaine (Acting) |
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This report was prepared by John R. Heath (consultant), under the supervision of Christopher D. Nelson (task team leader). Mr. Heath visited Peru to assess the project in June 2018, where he was assisted by Freddy Leguia Ortiz (consultant). The report was peer reviewed by Willem Janssen and panel reviewed by Jack van Holst Pellekaan. Vibhuti Narang Khanna provided administrative support.

## Principal Ratings

| Indicator | ICR | ICR Review | PPAR |
|---|---|---|---|
| Outcome | Satisfactory | Satisfactory | Satisfactory |
| Bank performance | Satisfactory | Satisfactory | Satisfactory |
| Quality of monitoring and evaluation | Substantial | Substantial | Substantial |

*Note:* The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. PPAR = Project Performance Assessment Report.

## Key Staff Responsible

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**IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.**

**About This Report**

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or World Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank Country Management Unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the World Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

**About the IEG Rating System for Public Sector Evaluations**

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

**Outcome:** The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current World Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, country assistance strategies, sector strategy papers, and operational policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared with alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for outcome:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory.

**Risk to development outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for risk to development outcome:* high, significant, moderate, negligible to low, and not evaluable.

**Bank performance:** The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan or credit closing, toward the achievement of development outcomes). The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

**Borrower performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for borrower performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

# Preface

This is the Project Performance Assessment Report (PPAR) for the Peru Sierra Rural Development Project (P079165).

The assessment will contribute to learning from projects that seek to increase the integration of small-scale producers with market value chains.

The World Bank's Board of Executive Directors approved the project on April 24, 2007. The total project cost at appraisal was $34.93 million, which consisted of $20.00 million from an International Bank for Reconstruction and Development (IBRD) loan, $7.83 million from the government of Peru, and $7.10 million from beneficiary funding. Additional financing of $20.00 million from IBRD, $5.60 million from the government, and $7.20 million from beneficiaries was approved on April 2, 2013. The actual project cost at the closing was $67.73 million. The IBRD loan closed on June 30, 2017, five and a half years later than originally anticipated.

The assessment is based on a review of project documents, special studies sponsored by the project, and interviews with World Bank staff and national counterparts. This report is also informed by the findings from seven regional workshops that the Independent Evaluation Group organized, involving a questionnaire survey and interviews with 23 representatives of producer groups and about 10 buyers (see appendixes B and C for details).

Following standard Independent Evaluation Group procedures, the borrower was invited to comment on the draft report. Borrower comments are attached in Appendix E of the report.

# Summary

Around the turn of the millennium, based on lessons from experience with projects in Peru and elsewhere, the World Bank began making adjustments to the model of decentralized, community-driven development, trying to make it a more effective vehicle for boosting incomes from private sector productive activities in poor rural areas. Conviction is growing that past efforts to raise production incomes underperformed because insufficient attention had been paid to the potential in existing—and more important, new—markets at the project design phase and better links between small-scale producers and those markets were not developed.

The Peru project was adapted to the needs of the Sierra region, a harsh highland environment where economic development has lagged relative to the national average. The project targeted the poorest areas of the Sierra and promoted two types of subproject: one for rural businesses involving groups of approximately 20 small-scale producers and another for community development, addressing food security and natural resource management in groups of 40 or so producers belonging to long-established indigenous communities.

The loan agreement stated that the project development objective was "to assist the Borrower in improving the assets and economic conditions of rural families in selected areas of the Borrower's Apurímac, Ayacucho, Huancavelica, Junín, Huánuco, and Pasco regions, and strengthen government capacity to implement an integrated Sierra development strategy." The project was restructured in 2013 to drop the objective of implementing a Sierra development strategy, which was no longer deemed relevant by the government. Additional financing was added at restructuring. In phase 1 (original project, 2008–13) and phase 2 (additional financing, 2013–17), the relevance of project objectives was substantial, reflecting the development needs of the Sierra, the strategy of the government of Peru, and the corporate priorities of the World Bank.

**The Independent Evaluation Group (IEG) rates the project's outcome as satisfactory**—a split rating that weighs achievements before and after formal restructuring against the level of disbursement in each phase of the project.

**The first objective**—to improve the assets and economic conditions of rural families—was achieved to a high extent. Targets for the number of subproject investments financed and beneficiaries served were exceeded. For rural business subprojects the target was 1,174 subprojects but 1,548 were financed. For community development subprojects, the target was 1,250 but 1,427 were financed. A total of 87,723 households benefited from the project, representing 103 percent of the original target. Evaluation reports prepared during the project, supported by the results from IEG-sponsored workshops that included representatives from randomly selected subprojects, conclude that there were large increases in output and sales attributable to the project. In each project phase, annual income for beneficiary households

exceeded that of control group households by about 30 percent. The project was more effective in boosting the productive capacity of individual households than it was in strengthening the producer groups to which they belonged—affiliation to which was a prerequisite of subproject financing.

**Achievement of the second objective—which was dropped at restructuring—is rated negligible.** The government's rural development strategy for the Sierra was not updated; no sectoral coordination committees were established; and no integrated Sierra Development Program was approved.

**IEG rates efficiency as substantial**, based on separate reports on returns to subprojects in each phase of the project. The economic rate of return exceeded expectations although the sensitivity analysis showed that relatively small falls in revenue—as a result of climate and price shocks—could push returns below the opportunity cost of capital. Administration costs were significant given the decentralized nature of project management, and there were substantial implementation delays in both phases of the project.

**The weighted project outcome rating against the original and revised objectives is satisfactory**. Evaluations sponsored by the project, and IEG's observations in the field, suggest that most producer groups were still operating two to three years after receiving subproject financing, although it is too early to judge the sustainability of the phase 2 subprojects. Based partly on the findings from seven workshops it organized, IEG found that there is little provision for follow-up technical assistance; producer groups are doing little to improve their members' access to financing; and, although individual producers seem resilient, producer organizations need strengthening.

**IEG rates Bank performance as satisfactory**. Quality at entry benefited from the background analysis that underpinned the (long) preparation period and was informed by lessons of experience from previous Sierra rural development projects; but the statement of project development objectives was poorly crafted, and the regional strategy development component was overambitious. Supervision was flexible and responsive to the delays that resulted from cumbersome government procedures. Monitoring and evaluation quality is rated **substantial**, based on the sound provisions made during the project preparation, the completeness of reporting during both project phases—involving repeated surveys of representative samples of subprojects—and a well-designed management information system that the government has deemed worthy of replication.

IEG derives four lessons from experience from this assessment:

**Subproject investments by producer groups are more likely to be viable when the selection of subprojects is competitive and demand-driven, and it entails a substantial producer contribution to subproject cost.** For this filter for success to be fully effective, the project needs to be widely promoted and the terms of the competition—particularly the counterpart requirement—must be made clear from the outset. Promotion efforts may appropriately include radio messages in indigenous languages, short message service (SMS) text messaging, and separate workshops for women. Requiring a counterpart payment of 30 percent—preferably payable in tranches—helps to ensure that only producers with the commitment and the necessary resource endowment enter the competition, increasing the prospect that subprojects financed under these terms will be sustainable. Small-scale producers who are not fully aware of the counterpart requirement are more likely to abandon producer groups early on, making it harder for subprojects to build organizational strength. Counterpart payments that are small and payable in labor and materials, not cash, are more prone to fudging and may not guarantee producer commitment.

**Building partnerships between actors in the market value chain is difficult and, in some circumstances, may not be feasible in the short term.** The appraisal report raised expectations about releasing untapped productive potential by building "strategic productive alliances between producers, processors, marketers, wholesalers, exporters, government, and technical service providers" (World Bank 2007, 3). Although this project increased the productivity of individual households participating in subprojects it did not transform the terms on which these small enterprises were integrated in the market value chain. In the Peruvian Sierra, the volume of the surpluses generated was too small, the control of product quality was too limited, and the distance from markets was too large for this transformation to be feasible in the short span of the project. These shortfalls could be addressed by focusing the project on enterprises reasonably close to economic corridors and ensuring that there is provision for including brokers with market knowhow in the initial formulation of subproject proposals.

**Subproject investments by producer groups give a one-off boost to poor producer households without necessarily ensuring that they will continue to grow, or that the groups to which they belong will become stronger.** Without follow-up in terms of technical assistance and supplementary finance, prospects for continued growth may be limited. In the Peru case, the assets and incomes of individual beneficiary households jumped substantially because they were starting from a low base. It remains to be seen if these household enterprises will continue to grow and, so far at least, there is little indication that they have led to a strengthening of producer organizations. The productive capacity of individual households was much enhanced, but producer groups are prone to internal disputes and often fail to serve as a platform for mobilizing finance for their members, contracting technical assistance, negotiating with local governments, and enhancing producers' bargaining power in input and output markets.

**Ensuring complementarity between subproject investments by producer groups and government-financed infrastructure and services, although hard to achieve, is important for maximizing impact.** The Peru project successfully included local and regional governments in committees that helped identify subprojects. But government follow-up with supporting infrastructure investment was limited for three reasons. First, because producer groups remained weak, they were not well placed to act as proponents of government investments. Second, the subproject funding cycle was hard to synchronize with the local government budget and expenditure cycle. Third, the geographic dispersal of subprojects—and their nonlink to economic corridors or growth poles—undercut the rationale for complementary investments because there were subproject clusters large enough to serve as an efficient locus for public infrastructure and service provision. Also, the cancellation of the plan to implement a Sierra development strategy demonstrated the difficulty of linking the promotion of subprojects to a broader strategy for the development of the Sierra, given the conflicting interests between a wide range of local and national actors.

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# 1. Background

1.1 Around the turn of the millennium, based on lessons of experience from projects in Peru and elsewhere, the World Bank began tinkering with the model of decentralized, community-driven development, trying to make it a more effective vehicle for boosting incomes from private sector productive activities in poor rural areas. There was a growing conviction that past efforts to raise production incomes had underperformed because they had not, at the project design phase, paid enough attention to the potential in existing—and, more importantly, new—markets; nor had they developed ways to better link small-scale producers to those markets (World Bank 2016).

1.2 Compared with other parts of Latin America, the Peruvian highlands (Sierra) are a particularly challenging region for projects seeking to promote links between rural producers and markets. The Sierra comprises all areas of the Andes above 2,000 meters. When the project was prepared in the early 2000s, the rural Sierra accommodated less than 25 percent of Peru's population but accounted for 54 percent of the country's extreme poor. About three-quarters of the Sierra population self-identify as "indigenous." Productive options in the Sierra are often limited and economic risks high because of its relatively harsh environment, fragmented agricultural plots, lack of transportation and communication infrastructure, poor and marginalized smallholders, difficult market access, and insufficient technology and capital inputs (World Bank 2007). Most households continue to grow low-value staples such as potato, wheat, barley, and quinoa using traditional production methods involving limited use of purchased inputs and little or no mechanization. Exports from the rural Sierra are mainly bulk commodities with low marketing standards. Differentiating certain grades so that they can be sold as specialty products to high-value export markets has yet to happen on a large scale (World Bank 2017a).

# 2. Relevance of the Objectives and Design

## Objectives

2.1 According to the loan agreement, the project development objective (PDO) was "to assist the Borrower in improving the assets and economic conditions of rural families in selected areas of the Borrower's Apurímac, Ayacucho, Huancavelica, Junín, Huánuco, and Pasco regions, and strengthen government capacity to implement an integrated Sierra development strategy" (World Bank 2008, 5). Similar wording was contained in the project appraisal document.

2.2 Following a level-1 restructuring on February 27, 2013, the PDO was restated as being "to assist the Borrower in improving the assets and economic conditions of rural families in selected areas of the Borrower's Apurímac, Ayacucho, Huancavelica, Junín, Huánuco and Pasco regions" (World Bank 2013, 3).

2.3 This report's assessment of project performance is based on the statement of objectives in the loan agreement, distinguishing two discrete objectives: (i) improve the assets and economic conditions of rural families in the selected areas; and (ii) strengthen government capacity to implement an integrated Sierra development strategy. The second of these objectives was dropped in the 2013 restructuring, and therefore the outcome rating will be a weighted average of separate ratings for the whole project period, first against the prerestructuring objective and, second against the postrestructuring objective. The weighting is determined by the share of total World Bank financing of the project disbursed before and after restructuring.

## Relevance of the Objectives

2.4 The wording of both the original and the revised objective statements was imprecise. "Improving assets and economic conditions" can be interpreted in various ways. Although improving economic conditions is vague, it nevertheless implies improved incomes—a valid development outcome. Improving assets was one of the project's activities and in itself does not amount to a development outcome—which should be the focus of a statement of objectives. But these are design flaws that will be addressed in the rating of Bank performance. This assessment bases the rating of relevance on the project's key development indicators, which give a clearer sense of the objective. At appraisal, the following PDO indicators were identified (World Bank 2007, 8):

- "Net value of production of participating rural families increased by 20 percent."
- "Value of project beneficiaries' principal productive assets (such as land under cultivation, pastures, water, animals, and so on.) increased by 30 percent."
- "The Sierra's economic production as a share of national [gross domestic product] has increased."
- "National government development investments in the Sierra increase by 30 percent."

2.5 Boosting the production of rural families in the selected parts of the Sierra and increasing that region's share of national GDP and government investment was in line with the government's Sierra Exportadora Program (2006) and the World Bank's Rural Development Strategy for the Peruvian Sierra (World Bank 2002; Werbrouck 2004).

2.6 The PDO was revised during the 2013 restructuring to remove support for the coordination of a regional development strategy—a thematic area that was no longer needed at the project level given that several new government programs promoted decentralization. Hence, this change in the PDO did not change this project's relevance to the government.

2.7 Throughout project preparation and implementation, the project was in line with the sustainable growth and productivity objectives of the World Bank's strategy for Peru (World Bank 2012, 2017c). The fourth objective of the Country Partnership Framework for 2017–21—the strategy that was current when the loan closed—calls for enhancing the environment for sustainable private sector investments and commits the World Bank to support interventions to help small-scale farmers and boost rural development (World Bank 2017c, 39).

2.8 Each of the strategies of the borrower and the World Bank stressed the importance for the Sierra of (i) upgrading enterprises to benefit the poorest rural producers and (ii) boosting private initiative to tap into agriculture's unexploited economic potential. The unifying rationale for the various strategies was rooted in the observation that economic growth and poverty reduction had proceeded much more slowly in the rural Sierra than in other regions of Peru. In 2010, the national poverty rate was 31 percent, but in the Sierra it was 61 percent (World Bank 2012).

2.9 Interpreted in this context, a project that sought to improve the assets and economic conditions of rural families in the Sierra was in line with the development priorities of the World Bank and the borrower. The Independent Evaluation Group (IEG) therefore rates the relevance of project objectives as **substantial.**

## Design

2.10 The project had a five-year gestation period, beginning with the preparation by the World Bank of a rural development strategy for the Sierra and spanning two of Peru's administrations (World Bank 2002; Werbrouck 2004). The early project concept mirrored the recommendations of the Sierra strategy, emphasizing an approach to rural poverty reduction based on exploiting growth potential through the cultivation of links between the multiple agents in locally specific value chains—creating "productive alliances" between producers and buyers and promoting geographically specific, "territorial development" plans. These plans focused on strengthening regional and local governments and sought to build on the government's tentative shift toward decentralization (World Bank 2002, 13–14).

2.11 The rural development strategy offered the following definitions of two terms central to the project concept:

> "*Productive alliances* are agreements between producers, processors/wholesalers/ exporters, government and rural service providers that identify profitable market outlets for specific products. They organize all steps of the production and marketing chain. The role of government would be to facilitate the agreements, to provide public goods and services, and develop the policy framework for research and extension, rural finance, land tenure and producer associations."

> "*Territorial development* involves area development programs covering municipalities, watersheds or economic corridors. Local Development Councils (LDCs)—made up of representatives of local governments, local communities, private sector agencies, civil society organizations and decentralized entities of the central government—would decide on local participatory rural investment plans. They would identify the local rural growth potential and social needs. They would also promote basic local economic and social infrastructure and seek to tap local niche opportunities. To encourage clustering and to avoid distributing resources too thinly, several LDCs and the regional government could work together to establish economic corridors. These corridors would link several small to medium-sized towns to establish rural-urban ties and provide larger markets" (World Bank 2002, 13–14).

2.12 Project design went through many iterations (with no fewer than four World Bank project managers in the phase between identification and approval). Early discussions with the government revealed that the Toledo administration did not "own" the 2002 Sierra strategy, regarding it as a World Bank product. Reviewers within the World Bank commented that the initial project concept was poorly articulated and overly complex. The component on institutional development was particularly unwieldy. This component was whittled away in the course of various exchanges with government. "Territorial development" was redefined: no longer was it a platform for strengthening regional and local government planning; instead, it was interpreted as community-driven development, involving nonmarket-oriented subprojects in the poorest peasant communities, with no explicit link to planning (this became component 2). Component Three morphed into support for the development and implementation of a Sierra rural development strategy, but without any provision for strengthening regional and local governments.

2.13 The 2002 strategy had echoed the language adopted by a contemporaneous World Bank–sponsored project in Bolivia involving productive alliances (World Bank 2005): the aim should be to respond to "opportunities" as well as "needs," recognizing that the poorest producers had such limited access to land and water that they had few opportunities for growth, and were best served through a range of interventions and project vehicles (principally, education services and safety nets) quite different from small-scale rural producers with more resources who had the potential to produce more for local and export markets. The idea that the poorest and the "poor-with-potential" merited separate, parallel interventions got lost as the project concept evolved. Also sacrificed was the commitment to promoting productive alliances geared to value chains and linked to growth corridors in the Sierra. Component One of the approved project retained the language of productive alliances but the rural businesses component did not (unlike in the Bolivian project) give the same weight to brokers who would help producers connect to markets.

## Components

2.14 **Component 1: Rural businesses.** This component supported subprojects developed by groups of small-scale producers (10 to 30 members) of two types: those already linked to markets (who would be helped to consolidate and diversify) and those producing for subsistence (who would be encouraged to enter the market). With help from locally contracted technical experts, producer groups would prepare subproject proposals that would compete for grants on a matching basis, with producers required to contribute 30 percent of the subproject investment cost in cash. Subprojects could not exceed $21,000 total cost, or $600 per participating family. To ensure that subprojects would be driven by market demand, producer groups needed to include a market partner (wholesaler, processor, or small trader) in their proposals. Selection of the winning subprojects would be made by a Local Resource Allocation Committee, representing the government, the private sector, and civil society. Although most subprojects were expected to be in agriculture, proposals from other sectors (agroindustry, tourism, handicrafts, and so on) would also be admitted to the competition.

2.15 **Component 2: Community development.** This component was addressed to peasant communities with less access to markets than the producer groups that the rural business component catered to. The subprojects developed under this component would not encompass the whole community but instead groups of about 40 households within it. These groups would submit proposals for subprojects intended mainly to strengthen crop and livestock production for their own consumption and to improve natural resource management. Subprojects would be competitively selected, with the final choice being made by the regional office of the project implementing agency. Subprojects would have an average size of $12,000, providing a maximum average amount of S./ 300 per family, with a beneficiary counterpart payment equal to 20 percent of the total subproject cost, payable in labor and materials.

2.16 **Component 3: Sierra coordination, project management, and monitoring.** This component focused on the creation of a Sierra Development Unit, which would serve as a multisector platform for developing and implementing a rural development strategy for the region, representing the central and regional governments and line ministries, under the aegis of the prime minister's office. It also financed project administration costs.

2.17 This component was dropped at restructuring in 2013: The project paper stated that "under Component 3, the Project has supported the establishment of a multisectoral Sierra development coordination unit within the prime minister's office. However, this activity, only financed by the borrower, has not achieved the implementation of an integrated strategy for the Sierra region. … This activity … has seen little progress and will be pursued by the Government under other initiatives" (World Bank 2013, 2–3). The completion report explains that "a number of government programs led by different entities (not only the Ministry of Agriculture) had been mobilized in the Sierra region, and at the same time the government had pursued further decentralization and assigned more decision-making power to the regions" (World Bank 2017b, 10). This component no longer had political support and, given the small size of the project's budget, its survival would have tied up limited resources that could otherwise have funded subprojects.

2.18 The project's geographic scope also expanded somewhat. From approval to completion, the project covered the same six departments of the Sierra but, following restructuring, coverage expanded from 255 to 395 districts, adding districts that shared similar socioeconomic conditions with the original project area but had not experienced the same pattern of violence. Also, funds were earmarked to provide a second round of financing to the best-performing 15 percent of subprojects implemented in the project's first phase.

2.19 Finally, in the additional financing phase, the share of subproject funds for component 1 (rural businesses) increased relative to component 2 (community development). The intent of the community development subprojects was also altered, ostensibly "increasing the focus on poverty-reduction and natural resources management" to differentiate them more clearly from the rural business subprojects (World Bank 2013, 3).

### Project Management Arrangements

2.20 The government agencies responsible for the project were the Ministry of Agriculture and the Prime Minister's Office. The Ministry of Agriculture had oversight of all activities except preparation of the Sierra rural development strategy, which fell to the prime minister's office, operating through the project-sponsored Sierra Development Unit. No project-specific implementation unit was established. Instead, the Ministry of Agriculture's responsibility for implementation was delegated to the staff of a Sierra natural resource management program (Manejo de Recursos Naturales en la Sierra Sur; MARENASS) set up in the ministry in 1998. MARENASS was chosen as the implementing agency because of its knowledge of the Sierra, its experience administering competitive grant funds, and because it was headquartered in the region. A project steering committee was set up, chaired by the Minister of Agriculture; it included representatives from the prime minister's office and the various sector-specific ministries.

2.21 In 2009, responsibility for implementation shifted from MARENASS (based in Ayacucho) to another Ministry of Agriculture program, AGRORURAL, located in Lima.

# 3. Implementation

## Planned versus Actual Expenditure by Component

3.1 Thanks to the additional financing approved in 2013, the final cost was almost double that initially envisaged (table 3.1). With additional financing, the expected number of subprojects increased from 620 to 1,314 for the rural businesses area, and from 875 to 1,250 for community development. Although the Sierra rural strategy coordination was dropped from component 3, this component's share of final project costs was larger than projected at appraisal, reflecting higher than expected administrative costs.

**Table 3.1. Project Costs**

| | Original Project | Additional Financing | Total |
|---|---|---|---|
| Costs *($, millions)* | | | |
| World Bank | 20.00 | 20.00 | 40.00 |
| Borrower | 7.83 | 5.60 | 13.43 |
| Beneficiaries | 7.10 | 7.20 | 14.30 |
| Total | 34.93 | 32.80 | 67.73 |
| Share of cost by component *(percent)* | | | |
| Component 1: Rural businesses | 45 | | 49 |
| Component 2: Community development[a] | 39 | | 30 |
| Component 3: Project management | 16 | | 21 |
| Total | 100 | | 100 |

*Sources:* World Bank 2007, 2017b.
*Note:* a. This was termed *territorial development* in the additional financing phase.

## Implementation Experience

3.2 The project was implemented in two phases, comprising two loans: in the first phase (original project), the loan became effective on July 9, 2008, and ran until June 30, 2013; in the second phase (additional financing), the loan became effective on December 20, 2013, and ran until June 30, 2017. Phase 1 startup varied by department: work began in Apurímac, Ayacucho, and Huancavelica in July 2008 and in Huánuco, Junín, and Pasco in July 2009.

3.3 Both project phases experienced long delays at the start. In the first phase, it took the government 13 months to sign the financing agreement, and startup was put off for more than two years after project approval. Moreover, the government required that each subproject be separately registered in the National Budget System, pushing up transaction costs. Start of the second phase was delayed by 15 months, owing to differences within the Ministry of Agriculture that resulted in the need to hire a completely new implementation team, despite World Bank objections.

3.4 The handover from MARENASS to AGRORURAL was difficult because AGRORURAL had no experience of transferring financial resources to subprojects carried out by third parties. Also, between June 2013 and June 2014, AGRORURAL underwent several changes of leadership, another reason for the delayed start of the second phase of the project. Further complicating matters was that the World Bank treated additional financing as the second phase of the same project, whereas the government insisted that it was an entirely new project, creating extra paperwork.

### Safeguards Compliance

3.5 The following safeguards applied to the project: (i) Environmental Assessment (Operational Policy [OP]/Bank Procedure [BP] 4.01), (ii) Natural Habitats (OP/BP 4.04), (iii) Forests (OP/BP 4.36), (iv) Pest Management (OP 4.09), (v) Physical Cultural Resources (OP/BP 4.11), and (vi) Indigenous Peoples (OP/BP 4.10). The evaluation report prepared by a local consulting firm at the end of phase 1 indicates that regional project personnel were interviewed about safeguard compliance and found to be observing the requisite norms, thanks in part to the soundness of the training workshops. The consultants cross-referenced these interviews with a review of the profiles prepared for each subproject, which listed provisions made for observing safeguards. The provisions were satisfactory. Based on its review of project documents and interviews with project personnel, within the World Bank and in Peru, IEG sees no reason to dispute the judgment in the completion report that safeguards were fully complied with.

### Financial Management and Procurement

3.6 The quality of the Interim Financial Reports was uneven, partly because counterpart staff lacked the training needed to meet the World Bank's reporting standards. The Comptroller General needed prompting by the World Bank to appoint an external auditor in a timely manner. The implementation progress rating was less than satisfactory on various occasions owing to lapses in updating the Procurement Plan. In each case, these shortfalls were remedied. Procurement was also held up during phase 1 by the requirement that each subproject be separately registered in the national budgeting system, a problem that was resolved in phase 2. No other problems were reported.

# 4. Achievement of the Objectives

4.1 The project theory of change is set out in appendix D of this report.

## Objective 1: Improve the Assets and Economic Conditions of Rural Families

4.2 Targets for the number of subprojects financed and beneficiaries served were exceeded in each of the two project phases (table 4.1). A total of 87,723 households benefited from the project, representing 103 percent of the revised target.

**Table 4.1. Achievement of Participation Output Targets**

| | Pre-restructuring (2008–13) | | Post-restructuring (2013–17) | |
|---|---|---|---|---|
| | Achieved by 2013 | Original end-of-project target | Achieved by 2017 | Revised end-of-project target |
| Subprojects implemented | 1,740 | 1,495 | 2,975 | 2,424 |
| Rural business | 876 | 620 | 1,548 | 1,174 |
| Community development | 864 | 875 | 1,427 | 1,250 |
| Families benefited | 52,580 | 53,600 | 87,723 | 85,200 |
| Rural business | 17,303 | 18,600 | 30,886 | 35,200 |
| Community development | 35,277 | 35,000 | 56,837 | 50,000 |

*Source:* World Bank 2017b.

4.3 **Rural business subprojects.** The project financed 1,548 rural business subprojects, with an average investment of $24,732 per subproject, including the minimum 30 percent contribution from beneficiaries. Each rural business subproject benefited 10–30 households. They supported animal production, agricultural production, basic agro-industry, handicrafts, and ecotourism. In both phases of the project, 40 percent or more of the financing went to livestock subprojects, with guinea pigs being the preferred line of business.

4.4 **Community development subprojects.** The project supported 1,427 community development subprojects, with an average investment of $19,632 per subproject, including loan proceeds and a minimum 20 percent contribution from beneficiaries. Each subproject benefited 40–50 households. Subprojects fell into two broad groups. *Food security and resource management subprojects* invested in inputs for staple crops, minor animals, poultry houses, sheds, water management improvements, small-scale water reservoirs and irrigation systems, and soil management techniques such as terracing. *Production and productivity subprojects* invested in improved animal production and genetics, boosted production of guinea pigs, and helped establish agro-forestry systems.

### Phase 1 (Original Project, 2008–13)

4.5 The phase 1 evaluation included a survey of 200 beneficiary households, 100 from rural business subprojects and 100 from community development subprojects; it also surveyed a control group of 161 households, with matched socioeconomic characteristics. Beneficiary and control households were interviewed in June 2011 and August 2013. On each of the dimensions related to the project objective of improving assets and economic conditions the beneficiary households outperformed the control households. Baseline data were not available to undertake a difference-in-difference analysis, as explained in the Monitoring and Evaluation section.

**Table 4.2. With and Without Project Difference Per Household, 2011–13**

| Constant 2011 $, Mean per household | Beneficiary households (*N* = 200), Increase between 2011 and 2013 | Control households (*N* = 161), Increase between 2011 and 2013 | Difference *(percent)* |
|---|---|---|---|
| Net value of output | $4,158 | $3,297 | +26 |
| Assets | $9,623 | $7,788 | +24 |
| Annual income | $7,844 | $5,977 | +31 |

4.6 *Source:* MVI 2013, 109–125.Phase 1 yielded mixed results in boosting the participation of women. Female-headed households made up 42 percent of the beneficiaries of rural business subprojects and 36 percent of the community development beneficiaries. Only 22 percent of the presidents of rural business subprojects were women; and for community development subprojects their share was a mere 8 percent. In Sierra peasant communities, the patriarchy has resisted change to a greater extent than in rural households outside the Sierra. A beneficiary survey that recorded opinions about how to improve female participation found that the most popular recommendation (made by 58 percent of interviewees) was to provide women with special training; the second most popular recommendation (45 percent of beneficiaries) was to educate husbands about the importance of women's economic contribution (MVI 2013, 141–148).

### Phase 2 (Additional Financing, 2013–17)

4.7 Unlike in the phase 1 evaluation, the phase 2 estimate of project impact was based on a single household survey conducted in 2016. The treatment group consisted of beneficiaries from phase 1 rural business subprojects who had been approved for a second round of financing intended to consolidate the phase 1 results. The control group consisted of beneficiaries of subprojects who had been approved to receive phase 2 financing but had not yet received any funds, either from phase 1 or phase 2. The households in this control group were matched for socioeconomic characteristics with the households in the treatment group. The results show that, as in phase 1, the beneficiaries outperformed the control group but, overall, by a smaller margin (table 4.3).

**Table 4.3. With and Without Project Difference Per Household, 2013–16**

| Constant 2011 $, Mean per Household | Beneficiary Households ($N$ = 157), Increase between 2013 and 2016 | Control Households ($N$ = 566), Increase between 2013 and 2016 | Difference *(percent)* |
|---|---|---|---|
| Net value of output | $1,851 | $1,981 | −7 |
| Sales | $1,527 | $1,409 | +8 |
| Assets | $5,538 | $5,295 | +5 |
| Annual income | $6,155 | $4,767 | +29 |

*Source:* Apoyo 2017, 160.

4.8 Between the two phases, there was progress in empowering women. During phase 2, 59 percent of rural business subprojects and 36 percent of community development subprojects were led by women, a significant increase from phase 1. The latter stages of the project encouraged women's engagement by assigning a higher score to subproject proposals with female representation.

### *Overall Assessment*

4.9 Summing up, on dimensions relevant to the project's objectives of improving assets and economic conditions, the project had a positive impact in both phases 1 and 2. An alternative measure of the project's success—the change over time in the status of beneficiary households—also shows positive results. In the case of assets, the target set at appraisal (and retained at restructuring) was for an increase of 30 percent in value. This target was exceeded by both rural business and community development subprojects (table 4.4). No target was set for income but, in any event, the level of increase was substantial, exceeding 100 percent for each subproject type.

**Table 4.4. Average Change over Time for Beneficiary Households**

| Constant 2011 $, Mean per household | 2011 | 2016 | Change, 2011/2016 *(percent)* |
|---|---|---|---|
| Assets | | | |
| Rural business subprojects | $3,980 | $5,820 | +46 |
| Community development subprojects | $3,153 | $5,863 | +86 |
| Annual income | | | |
| Rural business subprojects | $2,748 | $7,028 | +156 |
| Community development subprojects | $2,129 | $4,472 | +110 |

*Source:* Apoyo 2017, 162–169.

### Findings from IEG Workshops and Interviews

4.10 IEG organized seven workshops for producer groups and held separate interviews with buyers and local government representatives. From the list of all subprojects in Apurímac and Huánuco—the regions on which the mission centered—IEG randomly selected producer groups located within three hours' travel time from the workshop site, reimbursing for travel costs and modest refreshments. Representatives of 23 producer groups attended the workshops.

4.11 Among workshop participants there was a consensus that the project had substantially improved their livelihoods. Although project funding per family was small in absolute terms, given their modest circumstances, it resulted in a significant percentage increase in incomes and assets relative to the pre-project baseline.

4.12 Two community development subprojects illustrate the positive results that were achieved. In Ambo, Huánuco, representatives of the Comunidad Campesina Sacsahuanca described how 40 of the 80 members of the peasant community participated in an environmental management subproject that combined organic horticulture with the introduction of improved stoves and latrines. Owing to the positive demonstration effect of the subproject, nonbeneficiaries followed the lead of beneficiaries, leading to a community-wide improvement in diet (increased vitamin and mineral intake from the consumption of vegetables that were not formerly part of the diet), and improved health status following the reduction in indoor smoke and open-air defecation. The subproject was funded in 2009 and since completion, with the support of community members, the works have been maintained and are fully operational.

4.13 A second illustration is a food security subproject introduced in the municipality of Yakus, Huánuco. Forty of the 150 members of the Comunidad Campesina San Antonio de Chacras introduced an improved maize variety to supplement the indigenous variety that was a dietary staple. All of the improved maize was sold at fairs and shops in Huánuco town, which is located 30 kilometers from the community. Before the subproject, maize sales to local markets were sporadic; now the marketed surplus is larger and stable commercial ties have developed. The representatives attending the workshop acknowledged the important contribution of indigenous technical experts (*yachachiq*)—experienced and successful peasant farmers sponsored by the project who provided group-centered technical assistance to beneficiaries.

4.14 The rural business subprojects have generated several small-scale success stories. In Apurímac, home-made noodles are a traditional product of the town of Abancay and with support from the project various producer groups, comprised mainly of women, increased the scale of their enterprise and their sales volume. The Asociación de

Productores Agropecuarios Amancaes was one of three noodle makers participating in IEG's Abancay workshop and, by coincidence, it was one of the case studies included in the evaluation report prepared at the end of the project's first phase (MVI 2013). Cross-referencing these two data sources, which were produced five years apart, yields a consistent picture of a small-scale enterprise that has not only survived but flourished, based on development of a unique labeled brand and an increase in the number of sites where the product is sold—including the Sierra tourist capital, Cusco, and the national capital, Lima, which is some 20 hours away by bus. This group was set up in 2005 on the initiative of the women who are still part of it, achieved legal identity in 2007, and received modest support from a municipal Puno-Cusco Economic Corridor program, before obtaining project financing in 2008.

4.15 Originally, each of the women members produced the mix, cut the noodles, and hung them to dry in their own kitchens, a slow process reliant on simple equipment that often broke down. With the funds from the subproject they have centralized production in a small rented workshop with a mechanical mixer and cutter, drying area, and packaging machinery, all conforming to the strict sanitary norms the local government applies to commercial food processing. Thirty-one women participated in the bid for subproject financing, committing about $4,000 as a cash counterpart and receiving roughly $9,500 from the project. Before the project the group produced 100 kilograms of pasta per week; output is now about 600 kilograms. Ten women are now employed full time, others part time. The group plans to buy its own premises and to source more sophisticated packaging and labeling from Lima.

4.16 Success stories like this are a testimony to the effectiveness of a project design based on self-selection by poor producers with productive potential. IEG's impression from the workshops and interviews is that the project's main impact was to boost the productivity of small-scale rural enterprise—the fruit of improved assets, that resulted in improved economic conditions for participating families, consistent with the project's intent. The project increased the volume of sales to existing markets more than it added new markets, boosted product quality, or transformed the relationship between producers and buyers. The consultants that evaluated the first phase made a similar observation, noting that although the project had enhanced the productive capacity of beneficiary households there had been no significant improvement in the producer groups' ability to negotiate prices or increase the number of marketplaces they operated in (MVI 2013, 22). This is perhaps not surprising given the low base that small-scale producers in the Sierra are starting from. Some measure of the challenges that still remain was evoked by IEG's interview with two buyers of guinea pigs—the product line that accounted for the largest number of subprojects (box 4.1)

**Box 4.1. Guinea Pig Buyers Express Doubts about Project Impact**

Two guinea pig buyers in Andahuaylas told the Independent Evaluation Group that, in the 20 years or so that they had been operating, there had been no improvement in product quality, and that the supply response from small-scale producers had been insufficient to meet the burgeoning demand from local restaurants. The restaurants want to buy animals of 1 kilogram, live weight. Buyers struggle to find animals weighing more than 0.8 kilogram each, partly because improved breeds have not been widely introduced in the highlands, and producers lack training. Pulmonary disease is rampant among guinea pigs, because producers do not properly house the animals and do not isolate the sick.

The buyers would prefer to buy from producers with whom they have a long-term agreement but, given the absence of suppliers capable of meeting their quantity and quality requirements, they are obliged to source about 60 percent of the volume they handle from small weekly markets. Competition between restaurants for the available supply appears to have pushed up buyer margins, rather than feeding through to higher prices for producers: the farm-gate price has remained about S/. 20.00 ($6.20), for an animal with a live weight of 1 kilogram; skinned, gutted, and fried the same animal fetches S/. 35.00 ($10.90) on the plate.

The two buyers observed that they often have to reject three out of ten animals offered for sale by subprojects on quality grounds. They also commented that, although the technical assistance provided by local experts of indigenous origin (*yachikaks*) contracted by the project has improved animal husbandry, the marketing expertise of small-scale producers had not been noticeably enhanced. As IEG confirmed in the workshops it organized, it is rare for producers to sell their product as a group or to collectively negotiate terms with buyers.

*Source:* Independent Evaluation Group interviews, Andahuaylas, June 2018

4.17 Notwithstanding reservations about subproject marketing arrangements, the abundance of evidence that assets increased, and economic conditions improved beyond expectations leads IEG to rate achievement of objective 1 as **high.**

## Objective 2: Strengthen Government Capacity to Implement an Integrated Sierra Development Strategy

4.18 As expected, a Coordinating Unit for Sierra rural development was set up at the beginning of the project but none of the expected outputs were achieved: the government's rural development strategy for the Sierra was not updated; no sectoral coordination committees were established; and no integrated Sierra Development Program was approved. The central government increased investment in the rural Sierra by 50 percent, exceeding the 30 percent target set by the project, but given that the expected outputs were not delivered this increase cannot be attributed to the project. Partly as the result of a change of government and the setting of new priorities, this objective was dropped when the project was restructured in 2013.

4.19 Achievement of this objective is rated **negligible.**

# 5. Efficiency

5.1 The approach taken to the efficiency analysis was very systematic. The data for each subproject type were collected in participatory workshops with representative groups of subproject participants. Standard forms were used to collect data, including general data on each subproject, productive assets, production and sales, production costs, and operating and maintenance costs in with- and without-project scenarios. Forms that lacked information or reported information inconsistent with the likely productive ranges were noted and sent for verification in the field by staff from the regional project office.

5.2 Various estimates of the economic and financial rate of return to the subprojects show that results equaled or exceeded appraisal expectations (table 5.1).

**Table 5.1. Rate of Return Estimates**

| Reference Period | Type of Subproject Covered by the Analysis | Financial rate of Return *(percent)* | Economic Rate of Return *(percent)* |
|---|---|---|---|
| Appraisal (ex ante), 2007 | RB + CD | 18 | 30 |
| First phase (ex post), 2008–13 | RB + CD | 44 | 72 |
| Second phase (ex post), 2013–17 | RB | 13 | 32 |
| Both phases (ex post), 2008–17 | RB | 18 | 39 |

*Source:* World Bank 2017b.

*Note:* RB = rural business subproject; CD = community development subproject.

5.3 In the case of rural business subprojects, a random sample of 62 subprojects that were representative of both phases achieved an economic rate of return of 21 percent, exceeding the 12 percent social discount rate that was applied at appraisal. The incremental net income (revenue less subproject costs, including the counterpart payment) averaged $494 per family. These results are consistent with returns to similar projects implemented in other Latin American and Caribbean countries (World Bank 2016). However, the sensitivity analysis showed that only a 2 percent reduction in income or a 3 percent increase in labor costs would be sufficient to force returns down to a level below the opportunity cost of capital. This emphasizes the vulnerability typical of small enterprises in the Sierra, operating in informal markets, subject to price volatility and climate stress.

5.4 Given that the community development subprojects gave more emphasis to improved environmental management and production for home consumption than to commercial activities, cost-effectiveness is the appropriate yardstick for assessing efficiency. The present value of the incremental costs was estimated considering a 10-year period and then used to estimate the expected versus actual cost-effectiveness ratio. The difference between these ratios was used to estimate the savings to society arising from the variation in the number of beneficiaries expected versus the number that really benefited. According to end-of-project estimates, the social cost per beneficiary household was estimated at $876. This was 30 percent lower than expected because both the number of subprojects financed and the number of beneficiaries per subproject exceeded the original estimate. The larger than forecast number of beneficiaries is estimated to have saved society more than $ 10.5 million and $ 8.2 million, valued at market and social prices, respectively.

5.5 The cost of administering the project was substantial but not atypical for this type of project—reflecting the challenge of supporting decentralized implementation involving six highland departments with highly dispersed subprojects. The final cost was somewhat lower than initially projected: project management was expected to absorb 24 percent of total costs at appraisal, falling to 21 percent at completion.

5.6 Project resources could have been used more efficiently if the borrower's administrative procedures had been less cumbersome. After approval of the first loan, it took the government 13 months to sign the financing agreement, and project startup began more than two years after loan approval. In phase 1, each subproject had to be separately registered in the national budgeting system, causing substantial delays. Phase 2 was hampered by the government's treatment of additional financing as a new operation and its insistence—against strong World Bank objections—on complete replacement of the phase 1 project team. The lengthy process of recruiting new personnel postponed phase 2 startup by 15 months and resulted in a loss of continuity and acquired knowledge (World Bank 2017b).

5.7 IEG rates efficiency as **substantial.**

# 6. Ratings

## Outcome

6.1 Based on the standard weighting procedure (table 6.1), IEG rates outcome as **satisfactory**.

**Table 6.1. Deriving the Weighted Outcome Rating**

| | Phase 1 | Phase 2 |
|---|---|---|
| Relevance of Objectives | Substantial | Substantial |
| Achievement of Objectives | Substantial | High |
| Subobjective 1 | High | High |
| Subobjective 2 | Negligible | *Not applicable* |
| Efficiency | Substantial | Substantial |
| Outcome rating | "Satisfactory" | "Satisfactory" |
| Numerical value of Outcome rating (=A) | 5 | 5 |
| Amount disbursed per phase, $ millions (=B) | 18.40 | 20.75 |
| Total disbursed, $ millions (=C) | 39.15 | 39.15 |
| [B/C] x A | 2.35 | 2.65 |
| Weighted Outcome | 2.35 + 2.65 = 5.0 ("Satisfactory") | |

*Source:* Independent Evaluation Group/Operations Policy and Country Services harmonized rating scale.

## Risk to Development Outcome

6.2 This section draws primarily on the results of seven workshops that IEG organized in the departments of Apurímac and Huánuco. Producers from 18 subprojects participated in these workshops (appendix B, table B.2).

6.3 A distinction must be made between the risk that the subprojects may cease to operate and the risk that the organization administering the subproject—either a producers' group or a community—may fail. Given that production and marketing in this project were primarily organized at the household level—and that success was more a function of household than group performance—it could be argued that the first risk outweighs the second. Only 4 of the 18 subproject groups at the workshop helped secure bank credit for their members or organized revolving funds. This lack of access to finance may hamper the replacement of assets financed by the project beneficiaries. But assets were generally assigned to households (for example, a breeding pair of guinea pigs) rather than collectively owned and operated. Given the sizeable increase in sales value reported in previous sections, in principle, households may well be able to save enough to cover asset rehabilitation or replacement. Also, the competitive nature of the funding process and the requirement for a substantial counterpart payment by beneficiaries makes it more likely that producers with good sustainability prospects were selected. Interviewees told IEG that the Comité Local de Asignacion de Recursos worked well, providing a sound platform for coordination between AgroRural and local and regional governments. A phase 2 staff member in Huánuco said that the committee generally screened out the weakest subproject proposals although occasionally

AgroRural regional representatives gave in to local pressures to approve less viable proposals.

6.4 In addition to assets, there is the question whether technical assistance will continue after the project. This is more problematic. In principle, AgroRural agreed to assume this responsibility but to date no action has ensued. The small size and dispersed nature of the subprojects makes it difficult to provide agricultural extension to project households in a systematic manner. The project relied heavily on indigenous experts (*yachachiq*) to deliver technical assistance but once the loan closed there was no provision for the government to take on funding of these service providers. Also, although the yachachiq had the skills needed to help producers improve stock rearing and crop cultivation, they generally lacked marketing expertise and had few links to agroindustry and export operators.

6.5 A further concern is the resilience of individual producers to price and weather shocks. As noted in the Efficiency section, small changes to these factors would be sufficient to undermine the viability of these small-scale enterprises, partly because acting alone they have little or no leverage over input and output prices. On the other hand, 59 percent of the groups interviewed by IEG did collectively buy inputs. Moreover, two-thirds of the groups were set up two or more years before they received project funding, suggesting that they were not just project creations, likely to disappear when funding ended (appendix B, table B.3).

6.6 The groups interviewed by IEG demonstrated several organizational weaknesses—among them difficulties in funding their operating costs, frequent disputes among members, and limited access to commercial bank loans or other credit sources (appendix B, table B.4.). None of the groups with these weaknesses have been able to break into new markets or negotiate significantly better trading terms for their members. This may be related to a project design flaw: the failure to involve brokers in the formulation of subproject investment proposals.

6.7 The evaluation reports sponsored by the project are generally optimistic about sustainability. Although it is too early to report on the survival rates of phase 2 beneficiary groups (Apoyo 2017, 279), most of the phase 1 groups were still operating two or three years after receiving financing. According to a 2016 (phase 2 "baseline") survey, 57 percent of phase 1 beneficiaries not bidding for supplementary financing in phase 2 were still actively participating in the group that had qualified for phase 1 funding (Apoyo 2017, 280). The completion report indicates that "two years after completion, 82 percent of rural businesses were still operational, exceeding the target of 70 percent" (World Bank 2017b, 17).

6.8 Some of the potential risks mentioned in the project-sponsored reports bear reiterating. "Producer group organization needs strengthening because, although they have developed their productive capacity, most of them face weaknesses in management and marketing" (MVI 2013, 179). The same source goes on to note: "With the support of the project, groups have participated in national and regional fairs, but these are one-off events and there has been no sustained improvement in links between producers and markets" (MVI 2013, 180).

6.9 Sustainability may have been compromised by the smallness of the investment in each subproject. Also, the geographic dispersion of the subprojects reduces the scope for link to "economic corridors" (one of the original aims of the project) or the development of neighborhood pools of knowledge and technical assistance. The dependence on small, local markets increases the possibility of losses from market saturation: trout producers in Pasco faced this problem (Apoyo 2017, 286–287). Involving local and regional governments in subproject identification created an opportunity for complementary infrastructure investments, but this potential was not widely realized (Apoyo 2017, 293).

6.10 Finally, the reports do not assess which of the two subproject categories—rural businesses and community development—are more resilient to risk. Given that the latter involve larger, more diffuse groups they may be harder to sustain. On the other hand, their relative isolation from markets may make them less vulnerable to collapse in the event of price shocks in major markets.

## Bank Performance

### Quality at Entry

6.11 Project preparation took longer than usual, partly owing to a change of government and the borrower's insistence that all of the Japanese project preparation funds be used up before loan approval. The World Bank fielded ten missions between 2003 and 2007 and there were several changes of task team leader during preparation. Project design and its implicit theory of change was based on lessons drawn from the World Bank's experience of implementing competitive funding mechanisms in Peru and elsewhere. This experience helped improve the design of the management information system (MIS). The project concept was grounded in analysis made for the Sierra development strategy that the World Bank undertook in 2002, plus additional studies—all of which laid a solid foundation for the choice of geographical areas and target populations to include in the project, as well as for social and environmental assessments. Project preparation involved substantial consultation, including 600 workshops that involved about 14,000 participants.

6.12 There were three weaknesses. First and foremost, the wording of the statement of project objectives was insufficiently outcome-oriented and vague. Generating additional assets is not evidence in itself that productivity has been sustainably enhanced, or that livelihoods have been transformed for the better. "Improving economic conditions" is an imprecise formulation, raising questions about how best this might be measured. Second, the expectation that the project would serve as a platform for designing and implementing a regional development strategy was overambitious, given the large number of institutions involved and the difficulty of coordinating them. The indicators for the Sierra strategy component were ill-chosen: "increased share of national GDP from the Sierra region" was an inappropriate metric because an outcome of this nature could not reasonably be expected of, or attributed to, the project. Third, the risk assessment underestimated the implementation delays likely to follow from the borrower's legal and institutional framework.

6.13 IEG rates quality at entry as **moderately satisfactory.**

### Quality of Supervision

6.14 The World Bank took a flexible approach to implementation. It regularly updated the Operational Manual to incorporate learning from doing. When the project was restructured, the ceiling on goods purchases (set by the government) was removed, enhancing subproject viability. At the start of phase 2, the World Bank attempted to preserve continuity by arguing for retention of the original Peruvian project team. When this option was ruled out by the government, the World Bank showed diligence in ensuring that the new candidates met the requirements in the terms of reference—challenging the qualifications of several of those proposed and requesting revision of the shortlists. For phase 2, the World Bank made several adjustments to the monitoring and evaluation (M&E) system, helping to streamline the reporting process. The World Bank made good use of support from the Food and Agriculture Organization to deploy M&E specialists. The field-level backup and quality assurance provided by these specialists raised M&E standards significantly.

6.15 IEG rates supervision quality as **satisfactory**. The overall rating of Bank performance is **satisfactory**.

## Monitoring and Evaluation

### Design

6.16 Project design included thorough provision for M&E, and the appraisal document gives a detailed account of the arrangements (World Bank 2007b, 37–39). The data needed to assess project impact would be collected from four sources: (i) an *entry-level survey* of all who submit investment proposals (components 1 and 2), conducted before subproject contracts are signed, with a random "treatment" subset selected from this cohort for repeat surveys during project implementation; (ii) a *control sample survey* of comparable producers outside the project, located nearby; (iii) an *annual survey* of treatment and control groups, beginning after the first full year of subproject implementation; and (iv) *independent evaluations* carried out at project startup, midterm, and completion. The six regional offices would be responsible for entering into a centralized MIS database the demographic and socioeconomic data of each participant and the proposed investment activities of each subproject proposal received, with annual updates for each of the subprojects selected for financing. M&E oversight would be handled by a specialized unit at project headquarters in Ayacucho (transferred to Lima in 2009), comprising a lead specialist and two assistants, working with the regional offices to ensure that there was a coordinated flow of information and systematic reporting.

6.17 The completion report acknowledges that the selection of performance indicators was flawed. The original indicators (increased net value of production and increased value of assets) were applied to rural business and community development subprojects alike, even though the latter's progress toward improved food security and natural resource management would not be well captured by these indicators. Indicators specific to each subproject category were called for. Also, the vague definition of assets in the appraisal document allowed for the lumping together of productive assets (for example, farm machinery) and nonproductive assets (for example, housing and consumer durables).

## Implementation

6.18 Separate M&E databases, differently designed, were set up for each phase of the project. The phase 1 database was a standard MIS that tracked numbers of subprojects, transfer of financial resources, and expenditures. During phase 1, reporting on project performance indicators was contracted out to consulting firms who conducted baseline (2009), midterm (2011), and final (2013) evaluations. After the baseline survey had been conducted, the method used was found to be flawed, and the results were discarded. The World Bank team cross-checked the results of the 2011 and 2013 surveys, deeming them credible.

6.19 Phase 2 developed a new and expanded MIS that added monitoring of subproject results to disbursement and expenditure tracking, providing an integrated set of data for each of the subprojects financed during this phase. These were self-reported data generated by project staff in Peru, rather than the fruit of independent evaluations. The Peru staff used standardized forms and interviewed random samples of three beneficiary households per subproject, complementing this with information gathered during beneficiary workshops. The completion report says that, "Several times during implementation, the [World] Bank team accompanied the data collection process and checked the accuracy and consistency of the database. The high quality of the data was confirmed" (World Bank 2017b, 28). To complement this self-reported data, the project team commissioned other surveys in 2016 and 2017, including an impact evaluation that compared the results of rural business subprojects from phase 1 with a control group, using propensity score matching.

### Use

6.20 The M&E data from the project's first phase were used to strengthen the case for additional financing. The results of the 2011 and 2013 independent evaluations helped make the case for extending the project closing date. Phase 2 adjustments to the M&E system helped streamline the reporting process. The project M&E system had a significant demonstration effect, impressing on other branches of government the importance of collecting and recording solid field data. The Ministry of Economy and Finance called for replication of the MIS in other projects. The comprehensive data collection sponsored by the project helped raise the quality of the World Bank completion report.

6.21 IEG rates M&E quality as **substantial**.

# 7. Lessons

7.1 **Subproject investments by producer groups are more likely to be viable when selection is competitive and demand-driven and entails a substantial producer contribution to subproject cost.** For this filter for success to be fully effective, the project needs to be widely promoted and the terms of the competition—particularly the counterpart requirement—must be made clear from the outset. Promotion efforts may appropriately include radio messages in indigenous languages, SMS text messaging, and separate workshops for women. Requiring a counterpart payment of 30 percent—preferably payable in tranches—helps to ensure that only producers with the commitment and the necessary resource endowment enter the competition, increasing the prospect that subprojects financed under these terms will be sustainable. Small-scale producers who are not fully aware of the counterpart requirement are more likely to abandon producer groups early on, making it harder for subprojects to build organizational strength. Counterpart payments that are small and payable in labor and materials, not cash, are more prone to fudging and may not guarantee producer commitment.

7.2 **Building partnerships between actors in the market value chain is difficult and, in some circumstances, may not be feasible in the short term.** The appraisal report raised expectations about releasing untapped productive potential by building "strategic productive alliances between producers, processors, marketers, wholesalers, exporters, government, and technical service providers" (World Bank 2007, 3). Although this project increased the productivity of individual households participating in subprojects it did not transform the terms on which these small enterprises were integrated in the market value chain. In the Peruvian Sierra, the volume of the surpluses generated was too small, the control of product quality was too limited, and the distance from markets was too large for this transformation to be feasible in the short span of the project. Also, the design of the project did not make sufficient provision for including brokers with market knowhow in the initial formulation of subproject proposals.

7.3 **Subproject investments by producer groups give a one-off boost to poor producer households without necessarily ensuring that they will continue to grow, or that the groups to which they belong will become stronger.** Without follow-up in terms of technical assistance and supplementary finance, prospects for continued growth may be limited. In the Peru case, the assets and incomes of individual beneficiary households jumped substantially because they were starting from a low base. It remains to be seen if these household enterprises will continue to grow and, so far at least, there is little indication that they have led to a strengthening of producer organizations. The productive capacity of individual households was much enhanced; but producer groups are prone to internal disputes and often fail to serve as a platform for mobilizing finance for their members, contracting technical assistance, negotiating with local governments, and enhancing producers' bargaining power in input and output markets.

7.4 **Ensuring complementarity between subproject investments by producer groups and government-financed infrastructure and services, while hard to achieve, is important for maximizing impact.** The Peru project successfully included local and regional governments in committees that helped identify subprojects. But government follow-up with supporting infrastructure investment was limited for three reasons. First, because producer groups remained weak, they were not well placed to act as proponents of government investments. Second, the subproject funding cycle was hard to synchronize with the local government budget and expenditure cycle. Third, the geographic dispersal of subprojects—and their nonlink to economic corridors or growth poles—undercut the rationale for complementary investments because there were subproject clusters large enough to serve as an efficient locus for public infrastructure and service provision. Also, the cancellation of the plan to implement a Sierra development strategy demonstrated the difficulty of linking the promotion of subprojects to a broader strategy for the development of the Sierra, given the conflicting interests between a wide range of local and national actors.

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# Appendix A. Basic Data Sheet

## Peru Sierra Rural Development Project (IBRD Loans 74430 & 82460)

### Table A.1. Key Project Data

| Financing | Appraisal Estimate *($, millions)* | Actual or Current Estimate *($, millions)* | Actual as percent of Appraisal Estimate *(percent)* |
|---|---|---|---|
| Total project costs | 54.9 | 66.5 | 121 |
| Loan amount | 20 | 39.14 | 195 |
| Cofinancing | | | |
| Cancellation | | | |

### Table A.2. Cumulative Estimated and Actual Disbursements

| Disbursements | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Appraisal estimate *($, millions)* | 3.6 | 9.4 | 15 | 19 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Actual *($, millions)* | / | 1.5 | 3 | 10 | 16 | 20 | 18.8 | 20.1 | 36 | 39 | 39 |
| Actual as percent of appraisal | / | 15 | 20 | 52 | 80 | 100 | 94 | 100 | 180 | 195 | 195 |
| Date of final disbursement | | | | | | | | | | | |

### Table A.3. Project Dates

| Event | Original | Actual |
|---|---|---|
| Concept review | | |
| Negotiations | | |
| Board approval | | 04/24/2007 |
| Signing | | 5/26/2008 |
| Effectiveness | | 07/09/2008 |
| Closing date | 12/31/2012 | 02/02/2008 |

## Table A.4. Staff Time and Cost

| | World Bank Budget Only | |
|---|---|---|
| Stage of Project Cycle | Staff time *(no. weeks)* | Cost[a] *($, thousands)* |
| Lending | | |
| FY05 | 19.524 | 77,107.02 |
| FY06 | 45.337 | 205,152.66 |
| FY07 | 50.048 | 187,099.15 |
| Total | **114.91** | **469,358.83** |
| Supervision or ICR | | |
| FY08 | 23.323 | 102,553.90 |
| FY09 | 24.076 | 96,520.67 |
| FY10 | 19.062 | 82,911.16 |
| FY11 | 20.654 | 99,038.78 |
| FY12 | 14.103 | 140,163.03 |
| FY13 | 19.141 | 81,318.85 |
| FY14 | 14.884 | 55,227.30 |
| FY15 | 12.891 | 63,607.32 |
| FY16 | 24.488 | 96,778.19 |
| FY17 | 23.328 | 94,302.06 |
| FY18 | 13.877 | 55,290.33 |
| **Total** | **209.83** | **967,711.59** |

*Note:* ICR = Implementation Completion and Results Report.
a. Including travel and consultant costs.

## Table A.5. Task Team Members

| Name | Title[a] |
|---|---|
| Supervision or ICR | |
| Luz Berania Diaz Rios | Task Team Leader(s) |
| Selene del Rocio La Vera | Procurement Specialist(s) |
| Nelly Ikeda | Financial Management Specialist |
| Renato Nardello | Team Member |
| Raul Tolmos | Environmental Safeguards Specialist |
| German Nicolas Freire | Social Safeguards Specialist |
| Griselle Felicita Vega | Team Member |

*Note:* ICR = Implementation Completion and Results Report.
a. At time of appraisal and closure, respectively.

# Appendix B. Subproject Data

### Table B.1. The Subproject Universe

| | Rural Business | Rural Business Consolidated[a] (Phase 2 only) | Community Development[b] |
|---|---|---|---|
| Phase 1 | | | |
| Number of subprojects | 639 | | 720 |
| Mean subproject investment | S/. 37,773 =$12,591 | | S/. 43,467 =$14,489 |
| Mean number of partners per subproject | 21 | | 40 |
| Mean investment per partner | S/. 1,799 =$600<br>Less counterpart=<br>(*70%=$420) | | S/. 1,087 =$362<br>Less counterpart=<br>(*80%=$290) |
| Mean counterpart | 30% (prescribed) | | 20% (prescribed) |
| Mean number of months for subproject implementation | 12 | | 23 |
| Phase 2 | | | |
| Number of subprojects | 674 | 123 | 563 |
| Mean subproject investment | S/. 69,437<br>=$21,041 | S/. 48,540<br>=$14,709 | S/. 47,959<br>=$14,533 |
| Mean number of partners per subproject | 22 | 15 | 46 |
| Mean investment per partner | S/. 3,156 =$956<br>Less counterpart=<br>(*71%= $679) | S/. 3,236 =$981<br>Less counterpart=<br>(*66% =$647) | S/. 1,043 =$316<br>Less counterpart=<br>(*81% =$256) |
| Mean counterpart *(percent)* | 29 (actual) | 34 (actual) | 19 (actual) |
| Mean number of months for subproject implementation | 9 | 8 | 9 |

*Source:* Project database.
*Note:* a. These subprojects (*N* = 123) received financing from both phases of the project.
b. Referred to as "Territorial Development" in phase 2.
Phase 1, US Dollars 1.00 =3.00 Peruvian (mean exchange rate, 2009–10); Phase 2, US Dollars 1.00 = 3.30 Peruvian (mean exchange rate, 2015–16).

**APPENDIX B**

## Table B.2. Subprojects in Independent Evaluation Group Sample

| # | Name of Producer Group | District | Product | Aliados, Phase 1 | Aliados, Phase 2 | Type[a] | Amount *($)* | Members *(no.)* | Duration *(no. months)* |
|---|---|---|---|---|---|---|---|---|---|
| 01 | Asociación de Productores Agropecuarios Amancaes | Abancay | Noodles | 2008 | | RB | 12,741 | 31 | 24 |
| 02 | Asociación de Mujeres Productoras Santo Domingo | Abancay | Noodles | 2009 | | RB | 6,765 | 10 | 12 |
| 03 | Asociación de Productores Productividad Cristiana | Curahuasi | Milk | 2009 | | RB | 10,596 | 30 | 12 |
| 04 | Asociación del Comedor Popular San Miguel | Ambo | Bread | 2009 | | RB | 8,727 | 12 | 12 |
| 05 | Asociación de Productoras Agroindustriales Doña Vissi | Abancay | Noodles | 2011 | | RB | 10,248 | 12 | 12 |
| 06 | Comunidad Campesina Yacus | Margo | Horticulture | 2010 | | CD | ? | 49 | 24 |
| 07 | Asociación Anexo Ayaviri—Huancabamba | Andahuaylas | Guinea pigs | 2010 | | CD | ? | 40 | 24 |
| 08 | Asociación Los Chankas—Huancabamba | Andahuaylas | Milk | 2010 | | CD | ? | 40 | 24 |
| 09 | Asociación de Confeccionistas Bella Abanquina | Abancay | Costumes | | 2015 | RB | 15,528 | 13 | 8 |
| 10 | Asociación de Productores Qapaq Pukyo | Curahuasi | Guinea pigs | | 2015 | RB | 14,596 | 14 | 9 |
| 11 | Asociación de Productores Unión Yacus | Margo | Guinea pigs | | 2015 | RB | 15,528 | 12 | 8 |
| 12 | Asociación de Panificadores Faheer | Ambo | Bread | | 2015 | RB | 15,528 | 12 | 12 |
| 13 | Asociación de Productores Juventud y Trabajo | Ambo | Flowers | | 2015 | RB | 16,460 | 11 | 12 |
| 14 | Asociación de Productores Triaves | Ambo | Poultry | | 2015 | RB | 15,528 | 12 | 12 |
| 15 | Asociación de Criadores de Trucha—Checche Baja | Andahuaylas | Trout | | 2015 | CD | 14,410 | 60 | 11 |

| # | Name of Producer Group | District | Product | Aliados, Phase 1 | Aliados, Phase 2 | Type[a] | Amount *($)* | Members *(no.)* | Duration *(no. months)* |
|---|---|---|---|---|---|---|---|---|---|
| 16 | Asociación de Productores de Cuyes—Checche Alta | Andahuaylas | Guinea pigs | | 2015 | CD | 14,429 | 53 | 11 |
| 17 | Asociación de Productores de Ovinos—Centro Checche | Andahuaylas | Sheep | | 2015 | CD | 14,429 | 67 | 11 |
| 18 | Comunidad Campesina San Antonio de Chacras | Margo | Maize | | 2015 | CD | 14,674 | 49 | 12 |

*Source:* Aliados database.

a. CD = community development; RD = rural business.

**Table B.3. Characteristics of Subprojects in Independent Evaluation Group Sample**

| # | Product | Type | Members Start>Now | Year of group creation | Year financed by Aliados | Group buys inputs | Group arranges finance | Comments |
|---|---|---|---|---|---|---|---|---|
| 01 | Noodles | RB | 15>12 | 2006 | 2008 | X | X | |
| 02 | Noodles | RB | 10>8 | 2007 | 2009 | X | X | |
| 03 | Milk | RB | 20>18 | 2000 | 2009 | | X | |
| 04 | Bread | RB | 10>10 | 1998 | 2009 | NA | NA | No longer operating |
| 05 | Noodles | RB | 12>7 | 2007 | 2011 | X | X | |
| 06 | Horticulture | CD | NA | 1946 | 2010 | | | Peasant community of 800 |
| 07 | Guinea pigs | CD | 40>12 | 2010 | 2010 | X | | |
| 08 | Milk | CD | 40>18 | 2009 | 2010 | X | | |
| 09 | Costumes | RB | 12>12 | 2005 | 2015 | | | |
| 10 | Guinea pigs | RB | 31>15 | 2013 | 2015 | | | |

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| # | Product | Type | Members Start>Now | Year of group creation | Year financed by Aliados | Group buys inputs | Group arranges finance | Comments |
|---|---|---|---|---|---|---|---|---|
| 11 | Guinea pigs | RB | 12>12 | 2010 | 2015 | | | |
| 12 | Bread | RB | 10>08 | 2009 | 2015 | | | |
| 13 | Flowers | RB | 12>10 | 2011 | 2015 | X | | |
| 14 | Poultry | RB | 12>8 | 2009 | 2015 | X | | |
| 15 | Trout | CD | 40>40 | 2014 | 2015 | | | |
| 16 | Guinea pigs | CD | 40>40 | 2014 | 2015 | X | | |
| 17 | Sheep | CD | 40>40 | 2014 | 2015 | X | | |
| 18 | Maize | CD | 40>40 | 2002 | 2015 | X | | |
| | | | 59% have fewer members now | | | 59% buy inputs | 24% fix finance | |

*Source*: Independent Evaluation Group workshops in Apurímac and Huánuco, June 2018.

*Note*: CD = community development; RB = rural business.

**Table B.4. Problems Faced by Producer Groups in Independent Evaluation Group Sample**

| Problem | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lack of knowledge about markets | | | X | | | X | X | | | X | X | | | X | X | X | X | X |
| Disputes among leaders of group | X | X | X | X | X | | X | X | | X | | | | X | | | | |
| Difficulty meeting buyer requirements | | | | | | | | X | | | | | | X | | | | |
| Lack of transparency in group accounts | | | | | | | | X | | | | | | X | | | | |
| Insufficient income to cover group’s costs | X | X | | | X | X | X | X | | X | | X | | X | | | | |
| Members don’t attend group meetings | X | X | X | | X | X | X | X | | X | | X | | X | | | | |
| Members don’t pay for group administration | X | X | X | X | X | X | X | X | X | | | X | X | X | X | X | X | |

*Source:* Independent Evaluation Group workshops in Apurímac and Huánuco, June 2018.

# Appendix C. List of Persons and Producer Groups Met

Luz Berania Diaz Rios, Task Team Leader

Francisco Javier Obreque, Primary author of Implementation Completion and Results Report

Dennis Escudero, FAO M&E specialist, responsible for economic and financial analysis

Griselle Felicita Vega, Project Team Member, World Bank, Lima

Milton Monge Palomino, Executive Director, Aliados, Phase 1, Ministerio de Agricultura y Riego, Lima

Jose Sialer Pasco, Executive Coordinator, Aliados, Phase 2, Ministerio de Agricultura y Riego, Lima

Guillermina Morales Huari, President, Asociación Regional de Mujeres Conservacionistas de Reforestacion y Medio Ambiente, Huánuco

Freddy Leguia Ortiz, Consultant, Lima

Gilber Sotomayor Chahuaylis, Deputy Manager, Jose Maria Arguedas municipality, Huancabamba, Andahuaylas

Crispin Julio Atao Leguia, Agricultural Extension Specialist, Andahuaylas

Camilo Carrion Altamirano, Agricultural Extension Specialist, Andahuaylas

Gustavo Chavez Reynaga, Chief of Zone, AgroRural, Andahuaylas

"Guinea Pig Buyer 1," Andahuaylas

"Guinea Pig Buyer 2," Andahuaylas

Maria Margot Quino Bengolea, Director, Economic Development, Curahuasi municipality

Max Zavala Solorzano, District Chief, Programa Nacional de Inovacion Agraria, Huánuco

Moises Miguel Contreras Alvarez, Chief of Social Programs, Yacus municipality

Simion Castro Esteban, Administrator, Yacus municipality

*Producer Groups that Participated in IEG Workshops*

## Apurímac (*N* = 13)

COMUNIDAD CAMPESINA DE HUANCABAMBA, ANEXO DE AYAVIRI (GUINEA PIGS, ALIADOS 1, ANDAHUAYLAS)

COMUNIDAD CAMPESINA DE HUANCABAMBA, ANEXO DE CENTRO HUANCABAMBA (MILK, ALIADOS 1, ANDAHUAYLAS)

COMUNIDAD CAMPESINA DE HUANCABAMBA - CHECHE - HUARACCOPATA, ANEXO SECTOR CHECCHE CENTRO (SHEEP, ALIADOS 2, ANDAHUAYLAS)

COMUNIDAD CAMPESINA DE HUANCABAMBA CHECCHE HUARACCOPATA ANEXO SECTOR CHECCHE BAJA (TROUT, ALIADOS 2, ANDAHUAYLAS)

COMUNIDAD CAMPESINA DE HUANCABAMBA - CHECCHE - HUARACCOPATA, ANEXO VILLA PROGRESO CHECCHE ALTA (GUINEA PIGS, ALIADOS 2, ANDAHUAYLAS)

ASOCIACIÓN DE MUJERES PRODUCTORAS SANTO DOMINGO (NOODLES, ALIADOS 1, ABANCAY)

ASOCIACIÓN DE PRODUCTORES AGROINDUSTRIALES DOÑA VISSI (NOODLES, ALIADOS 2, ABANCAY)

ASOCIACIÓN DE PRODUCTORES AGROPECUARIOS AMANCAES (NOODLES, ALIADOS 2, ABANCAY)

ASOCIACIÓN DE CONFECCIONISTAS BELLA ABANQUINA (COSTUMES, ALIADOS 2, ABANCAY)

ASOCIACIÓN DE PRODUCTORES AGROPECUARIOS PRODUCTIVIDAD CRISTIANA (MILK, ALIADOS 1, CURAHUASI)

ASOCIACIÓN DE PRODUCTORES AGROPECUARIOS QAPAQ PUKYO PUCUTA-APAQPU (GUINEA PIG, ALIADOS 2, CURAHUASI)

COMUNIDAD CAMPESINA SAYWITE (MILK, NOT IN PROJECT, CURAHUASI) *

ASOCIACIÓN LOS HALCONES, HUANCABAMBA (TROUT, ALIADOS 1, ANDAHUAYLAS) *

## Huánuco (*N* = 10)

ASOCIACIÓN DE PANIFICADORES FAHEER (BREAD, ALIADOS 2, AMBO)

COMEDOR POPULAR AUTOGESTIONARIO SAN MIGUEL (BREAD, ALIADOS 1, AMBO)

ASOCIACIÓN DE PRODUCTORES AGROPECUARIOS ARTESANAL Y TRANSFORMADORES TRIAVES (POULTRY MEAT, ALIADOS 1, AMBO)

ASOCIACIÓN DE PRODUCTORES JUVENTUD Y TRABAJO DE HUANCAPATA (FRUIT & FLOWERS, ALIADOS 2, AMBO)

COMUNIDAD CAMPESINA SAN ANTONIO DE CHACRAS (MAIZE, ALIADOS 2, MARGOS)

COMUNIDAD CAMPESINA DE YACUS (HORTICULTURE, ALIADOS 1, MARGOS)

ASOCIACIÓN AGROPECUARIA YORAC USHNO YACUS (GUINEA PIG, ALIADOS 2, MARGOS)

ASOCIACIÓN DE PRODUCTORES TAYTA MAYO (GUINEA PIG, ALIADOS 2, MARGOS) *

## APPENDIX C

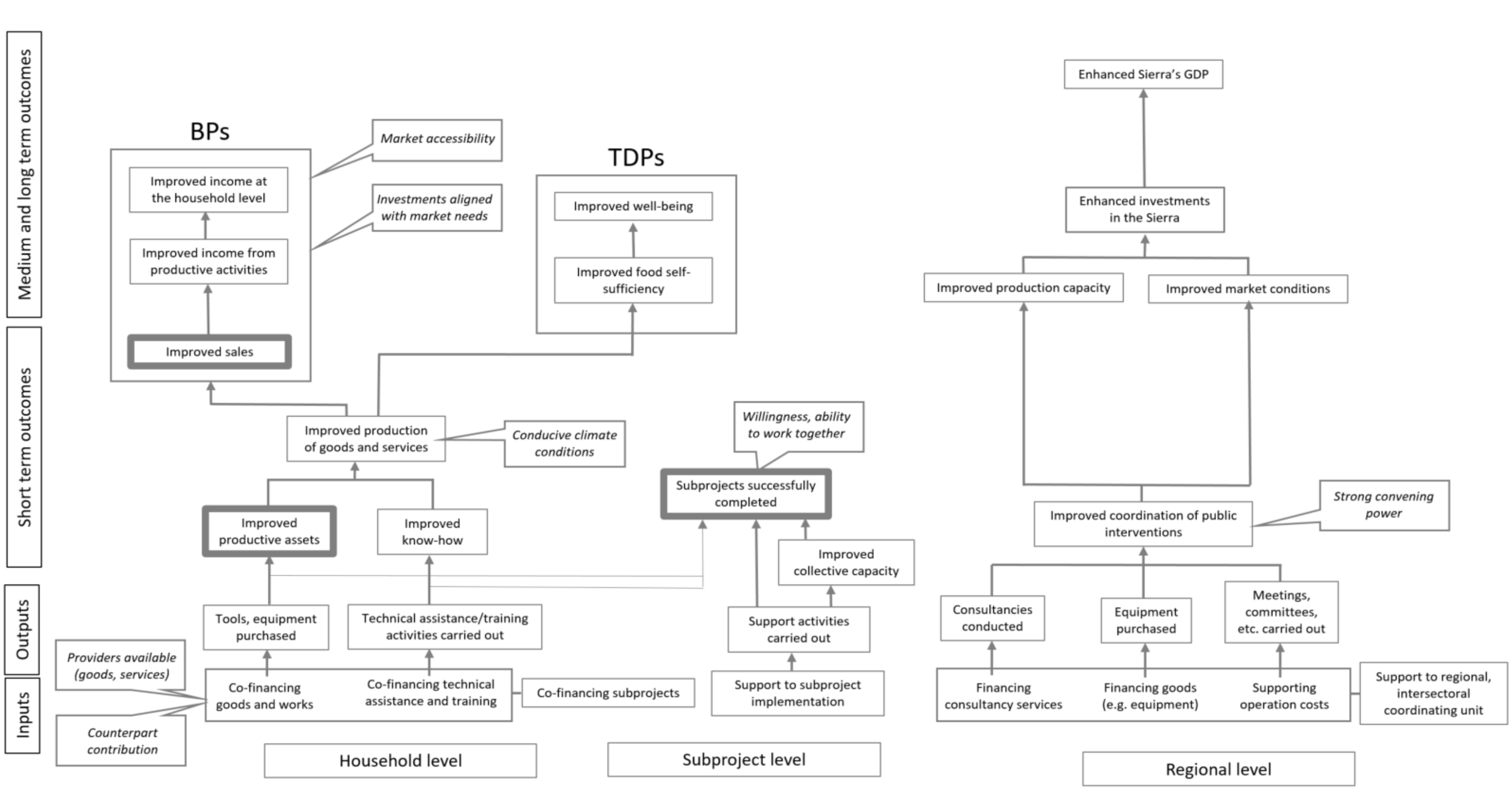
ASOCIACIÓN DE PRODUCTORES UNIÓN YACUS (GUINEA PIG, ALIADOS 1, MARGOS) *

COMUNIDAD CAMPESINA SACSAHUANCA (VARIOUS, ALIADOS 1, AMBO) *

*Producer groups not included in the IEG sample

# Appendix D. Theory of Change

## Figure D.1.




*Source:* World Bank 2017b, 63.

C

# Appendix E. Borrower Comments

PERÚ | Ministerio de Economía y Finanzas | Despacho Viceministerial de Hacienda | Dirección General de Endeudamiento y Tesoro Público

**"DECENIO DE IGUALDAD DE OPORTUNIDADES PARA MUJERES Y HOMBRES"**
**"AÑO DEL DIALOGO Y LA RECONCILIACIÓN NACIONAL"**

Lima, 12 DIC 2018

**OFICIO N° 1122 -2018-EF/52.04**

Señora
**Jacqueline Quintana Flores**
**Directora Ejecutiva**
**AGRO RURAL**
Ministerio de Agricultura y Riego
Avenida República de Chile N° 350, Jesus María
Presente.-

Asunto : Contratos de préstamo BIRF:
a) N° 7743-PE - Programa de Apoyo a las Alianzas Rurales Productivas en la Sierra del Perú - ALIADOS
b) N° 8246-PE - Proyecto "Ampliación del Apoyo a las Alianzas Rurales Productivas en la Sierra del Perú - ALIADOS II, en las Regiones de Apurímac, Ayacucho, Huancavelica, Huánuco, Junín y Pasco"

Referencia : Carta del BIRF de fecha 04.12.2018

Es grato dirigirme a usted con relación a los contratos de préstamo suscritos entre la República del Perú y el Banco Internacional de Reconstrucción y Fomento (BIRF), para financiar parcialmente el proyecto y programa arriba indicados.

Al respecto, el BIRF mediante la carta de la referencia, cuya copia se adjunta, solicita comentarios al borrador de Informe de Evaluación Independiente de los citados proyecto/programa, hasta el viernes 18 de diciembre de 2018, preferiblemente vía correo electrónico de acuerdo al detalle indicado en la carta mencionada.

Sobre el particular, agradeceremos alcanzar directamente al BIRF, con copia a esta Dirección General, los comentarios al citado informe, de ser el caso, dentro del plazo previsto.

Hago propicia la ocasión para expresarle los sentimientos de mi especial consideración.

Atentamente,

JORGE ENRIQUE SIU RIVAS
Director General
Dirección General de Endeudamiento y Tesoro Público