**PROJECT INFORMATION DOCUMENT (PID)**

**APPRAISAL STAGE**

Report No.: AB7064

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| Project Name | Sierra Rural Development Additional Financing |
| **Region** | LATIN AMERICA AND CARIBBEAN |
| **Country** | Peru |
| **Sector** | General agriculture, fishing and forestry sector (40%);Sub-national government administration (40%);General public administration sector (20%) |
| **Project ID** | P127801 |
| **Parent Project ID** | P079165 |
| **Borrower(s)** | Republic of Peru |
| **Implementing Agency** | Ministry of Agriculture, AgroruralAv. Salaverry 1388, Jesús María, Lima, PeruTel: +51 1-631-3555 jpacheco@minag.gob.pe |
| **Environment Category** | [ ] A [X] B [ ] C [ ] FI [ ] TBD (to be determined) |
| **Date PID Prepared** | December 14, 2012 |
| **Estimated Date of Appraisal Completion** | January 28, 2013 |
| **Estimated Date of Board Approval** | March 14, 2013 |
| **Decision** | Project authorized to proceed to negotiations upon agreement on any pending conditions and/or assessments. |

1. **Country and Sector Background**

Despite Peru’s impressive results in poverty reduction in recent years, poverty rates in rural areas remain high, and extremely high in rural highlands (*Sierra*). To overcome social gaps and boost productivity, the Government is implementing a “growth with social inclusion” plan that targets the poor and excluded. The Government also intends to reconnect with the rural poor “from the bottom up and from the inside out” by increasing competitiveness of local markets.

The proposed AF is consistent with the current Bank’s Country Partnership Strategy (CPS) for the Republic of Peru (Report n. 66187-PE), discussed by the Board of Executive Director on March 6, 2012. The proposed AF is specifically included in the CPS indicative lending program as an instrument for scaling up successful experiences in providing sustainable business opportunities for smallholder producers in rural areas, under the CPS objective of “Sustainable growth and productivity”. The proposed AF is expected to strengthen the impact of the project on some of the poorest regions of the country and contribute to support the Government plan of “Growth with social inclusion”.

The original loan, for an IBRD financing of US$20 million, was approved on April 24, 2007 and became effective on July 9, 2008. With a closing date of June 30, 2013 the project had disbursed 85 percent of its IBRD financing as of October 30, 2012.

1. **Objectives**

The original Project Development Objective (PDO) was to improve 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 revised PDO is to improve the assets and economic conditions of rural families in selected areas of the Borrower’s Apurímac, Ayacucho, Huancavelica, Junín, Huánuco, and Pasco regions.

1. **Rationale for Bank Involvement**

The proposed additional financing would scale up a well performing project that provides a platform to promote rural development initiatives, expand productive opportunities, create alliances between producers and other actors in the supply and marketing chain, build social capital and food security, and strengthen local institutions.

The Borrower strongly supports the project approach and requested the proposed additional to scale up the project and enhance its development impact in the current regions of intervention, while consolidating lessons from experience before replicating the approach to other rural areas of the country

1. **Description**

Component 1: Promotion of Rural Businesses

1. Design and implementation of a communication and dissemination strategy of information on Rural Business’ Plans amongst rural producers and stakeholders.
2. (i) Carrying out of pre-investment studies; and (ii) provision of pre-investment financing and technical assistance to support the creation of viable Rural Business’ Plan proposals.
3. Co-financing the carrying out of Rural Business’ Plans.

Component 2: Territorial Development

1. Promotion and dissemination of information on Territorial Development Plans amongst rural communities and stakeholders in selected areas of the Borrower’s territory with limited access to markets.

(b) (i) Carrying out of pre-investment studies; and (ii) provision of pre-investment financing and technical assistance to support the design and preparation of viable Territorial Development Plan proposals.

(c) Co-financing the carrying out of Territorial Development Plans.

Component 3: Project Management and Monitoring

(a) Support, at the offices of AGRORURAL, an adequately functioning monitoring and evaluation (M&E) system to track progress of the Project.

(b) Support AGRORURAL in its day-to-day management of the Project, through the provision of technical advisory services, co-financing of studies, and support to the operation and maintenance of an M&E system.

1. **Financing**

|  |  |
| --- | --- |
| Source: | ($m.) |
| Borrower | 5.6 |
| International Bank for Reconstruction and Development | 20 |
| Local Communities | 7.2 |
|  Total | 32.8 |

1. **Implementation**

As for the original loan, the Project will be implemented by the Ministry of Agriculture through AGRORURAL as Project Executing Unit. Responsibility for financial management tasks would continue to be borne by AGRORURAL, with day-to-day management delegated to the project implementation team (ALIADOS). The project will operate one regional office in each of the six regions of intervention.

1. **Safeguard Policies (including public consultation)**

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| --- | --- | --- |
| **Safeguard Policies Triggered by the Project** | Yes | No |
| [Environmental Assessment](http://www.worldbank.org/environmentalassessment) ([OP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/9367A2A9D9DAEED38525672C007D0972?OpenDocument)/[BP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/BProw/C4241D657823FD818525672C007D096E?OpenDocument)/[GP](http://lnweb18.worldbank.org/ESSD/envext.nsf/47ByDocName/EnvironmentalAssessment) 4.01) | [X] | [ ] |
| Natural Habitats ([OP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/71432937FA0B753F8525672C007D07AA?OpenDocument)/[BP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/BProw/62B0042EF3FBA64D8525672C007D0773?OpenDocument) 4.04) | [X] | [ ] |
| Pest Management ([OP 4.09](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/665DA6CA847982168525672C007D07A3?OpenDocument)) | [X] | [ ] |
| Cultural Property ([OPN 11.03](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/tocall/55FA484A98BC2E68852567CC005BCBDB?OpenDocument), being revised as OP 4.11) | [X] | [ ] |
| Involuntary Resettlement ([OP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/bytype/AA37778A8BCF64A585256B1800645AC5?OpenDocument)/[BP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/bytype/383197ED73D421A385256B180072D46D?OpenDocument) 4.12) | [ ] | [X] |
| Indigenous Peoples ([OD 4.20](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/bytype/0F7D6F3F04DD70398525672C007D08ED?OpenDocument), being revised as OP 4.10) | [X] | [ ] |
| Forests ([OP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/C972D5438F4D1FB78525672C007D077A?OpenDocument)/[BP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/GPraw/97FA41A3D754DE318525672C007D07EB?OpenDocument) 4.36) | [X] | [ ] |
| Safety of Dams ([OP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/C12766B6C9D109548525672C007D07B9?OpenDocument)/[BP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/BProw/D3448207C94C92628525672C007D0733?OpenDocument) 4.37) | [ ] | [X] |
| Projects in Disputed Areas ([OP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/72CC6840FC533D508525672C007D076B?OpenDocument)/[BP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/BProw/5DB8B30312AD33108525672C007D0788?OpenDocument)/[GP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/GPraw/C6B0F62BE7A10B338525672C007D078B?OpenDocument) 7.60)[[1]](#footnote-1)\* | [ ] | [X] |
| Projects on International Waterways ([OP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/5F511C57E7F3A3DD8525672C007D07A2?OpenDocument)/[BP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/BProw/47D35C1186367F338525672C007D07AE?OpenDocument)/[GP](http://wbln0011.worldbank.org/Institutional/Manuals/OpManual.nsf/GPraw/CC209CF484469D2C8525672C007D07EE?OpenDocument) 7.50) | [ ] | [X] |

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1. \* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas* [↑](#footnote-ref-1)