

**INTEGRATED SAFEGUARDS DATASHEET  
APPRAISAL STAGE**

**I. Basic Information**

Date prepared/updated: 02/12/2013

Report No.: AC6702

**1. Basic Project Data**

Original Project ID: P079165	Original Project Name: Sierra Rural Development Project	
Country: Peru	Project ID: P127801	
Project Name: Additional Financing to Sierra Rural Development Project		
Task Team Leader: Renato Nardello		
Estimated Appraisal Date: January 28, 2013	Estimated Board Date: April 2, 2013	
Managing Unit: LCSAR	Lending Instrument: Specific Investment Loan	
Sector: General agriculture, fishing and forestry sector (40%);Sub-national government administration (40%);General public administration sector (20%)		
Theme: Rural non-farm income generation (30%);Administrative and civil service reform (25%);Decentralization (25%);Rural markets (20%)		
IBRD Amount (US\$m.):	20	
IDA Amount (US\$m.):	0	
GEF Amount (US\$m.):	0	
PCF Amount (US\$m.):	0	
Other financing amounts by source:		
	Borrower	5.60
	<u>Local Communities</u>	<u>7.10</u>
		12.70
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input checked="" type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

**2. Project Objectives**

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.

**3. Project Description**

Component 1: Rural Businesses (US\$19.10 million, of which US\$13.30 IBRD)

This component will help promote rural growth and business opportunities by supporting the design and implementation of plans proposed by groups of small rural producers, to improve their production, market access, and income. For small producers who already have access to markets, the project will seek to improve and diversify their commercial activities and market access. For subsistence farmers (mainly indigenous people) who currently produce primarily for self-consumption, the project will help establish initial access to markets. In particular, it will promote productive alliances

between different actors in the value chain to strengthen market access and competitiveness, increase productivity and production quality, improve capacity to reliably deliver products to market on time, create more predictable demand, provide key technological inputs, introduce new production practices, help disseminate timely market and pricing information, and identify and exploit emerging niche markets.

Plans would be both agricultural (crops, livestock, and agro-forestry) and nonagricultural (aquaculture, tourism, services, handicrafts, small-scale industry, and agribusiness).

Examples of plans financed under the parent project include: (i) supporting alliances between producers of staple crops and wholesalers, to ensure uniform quality standards and reliable supply, (ii) collaboration between tour operators and communities to provide training in tourist services and improving rural tourism facilities, (iii) supporting alliances between the alpaca wool processing and export industry and local producers to provide pricing incentives and improve upstream production quality, (iv) fostering cooperation between producers and wholesalers/exporters of handicrafts and small-scale industry products to overcome problems related to quality and quantity of supply by channeling technical assistance, training, technology, and financing, and (v) helping producer groups establish brand names to market their items better in national markets. Even though plans are based on demand, and therefore are difficult to predict, it is expected that plans financed under the AF will follow a pattern similar to the parent project's pattern.

The main output will be implementation of about 1,320 agribusiness plans (620 under the original loan and 700 under the additional financing) with clearly defined and sustainable goals. Its main outcome will be to help an estimated 35,100 rural families (18,600 under the original loan and 16,500 under the additional financing) attain increased and diversified production, greater food security, improved standards of living, and higher income when possible.

Component 2: Territorial Development (US\$7.10 million, of which US\$5.70 IBRD)

This component will support the design and implementation of plans to diversify, expand, and improve the assets and production of rural families in areas that have limited access to markets. It is expected that because of this lack of market access most plan proposals will be aimed primarily at improving natural resources management, reducing vulnerability to risks, and increasing agricultural and livestock production for self-consumption by families and organized rural communities.

By so doing, this component will address socioeconomic risk and insecurity among the poor who lack access to basic services and are likely to be left behind even in periods of broad economic growth. For these families, improving subsistence agriculture might not increase their income, but it will improve their food security, nutrition, and overall well-being as a first step out of poverty and escaping the "safety-first" dilemma that limits their economic choices. The process of designing and collectively implementing productive plans, supported by technical assistance, is intended to not only increase

community resources but help strengthen social capital, capacity, and commercial alliances as well.

Examples of plans financed under the parent project include: simple improvements to increase yields, such as using improved cultivation techniques, soil conservation and water retention methods, optimized input use, and plant protection. To the extent possible, opportunities will also be sought to generate excess production for sale in local markets. Even though plans are based on demand, and therefore are difficult to predict, it is expected that plans financed under the AF will follow a pattern similar to the parent project's one.

The main output will be implementation of about 1,160 territorial development plans (875 under the original loan and 375 under the additional financing) with clearly defined and sustainable goals. Its main outcome will be to help an estimated 50,000 rural families (35,000 under the original loan and 15,000 under the additional financing) attain increased and diversified production, greater food security, improved standards of living, and higher income when possible.

Component 3: Project Management and M&E (US\$6.50 million, of which US\$0.9 IBRD)

This component would ensure efficient and effective development planning in achieving the project development objective and other indicators and to feed that information back into enhancing project implementation.

#### **4. Project Location and salient physical characteristics relevant to the safeguard analysis**

The project area includes the same six regions in the southern and central Sierra area that were covered under the parent project: Huánuco, Junín, Pasco, Apurímac, Ayacucho, and Huancavelica. Altogether there are around 480,000 rural households in the project area. Project activities under the additional financing will be introduced sequentially into the six regions.

#### **5. Environmental and Social Safeguards Specialists**

Mr Raul Tolmos (LCSEN)

Mr German Nicolas Freire (LCSSO)

<b>6. Safeguard Policies Triggered</b>	<b>Yes</b>	<b>No</b>
<b>Environmental Assessment (OP/BP 4.01)</b>	<b>X</b>	
<b>Natural Habitats (OP/BP 4.04)</b>	<b>X</b>	
<b>Forests (OP/BP 4.36)</b>	<b>X</b>	
<b>Pest Management (OP 4.09)</b>	<b>X</b>	
<b>Physical Cultural Resources (OP/BP 4.11)</b>	<b>X</b>	
<b>Indigenous Peoples (OP/BP 4.10)</b>	<b>X</b>	
<b>Involuntary Resettlement (OP/BP 4.12)</b>		<b>X</b>
<b>Safety of Dams (OP/BP 4.37)</b>		<b>X</b>
<b>Projects on International Waterways (OP/BP 7.50)</b>		<b>X</b>
<b>Projects in Disputed Areas (OP/BP 7.60)</b>		<b>X</b>

## **II. Key Safeguard Policy Issues and Their Management**

### ***A. Summary of Key Safeguard Issues***

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: There are no anticipated large-scale, significant, or irreversible adverse impacts associated with the project.

Environment: The project is expected to have positive environmental impacts through financing subprojects that promote sustainable natural resources management, watershed protection, and soil conservation. As a result of subproject activities, the project is expected to (i) conserve soil, (ii) maintain or improve hydrological functions, and (iii) help conserve high mountain ecosystems and their biodiversity.

Given that the specific location and nature of specific subprojects have not yet been determined, specific environmental impacts, location and magnitude cannot be ascertained before appraisal. The only possible adverse environmental impacts would be strictly unintended; they could possibly include: (i) soil erosion; (ii) biodiversity loss; (iii) deforestation; (iv) loss, degradation or conversion of natural habitats; (v) disrupting hydrological dynamics; (vi) water pollution; (vii) minor adverse health impacts; and (viii) damage to watersheds.

Social: The project is expected to have a positive impact on social inclusion by increasing assets and economic opportunities for rural families in areas of the Sierra that suffered high levels of violence related to the Shining Path during the 1980s and 1990s. About 75 percent of the expected project beneficiaries are indigenous subsistence farmers.

### **PERFORMANCE UNDER THE ORIGINAL PROJECT.**

No major environmental issues have occurred in the implementation of this project, given the small scale of the rural businesses and community development sub-projects financed in rural areas and small towns. The project does not involve major civil works and infrastructure. Minor environmental impacts related to subprojects such as sanitary and hygiene conditions in guinea pig farms, work conditions in shoe manufacturing

artisanal workshops, construction of confined solid waste dumping sites, and indoor air quality in bakeries using fuel wood have been recently reported but are easily mitigated. These impacts have been addressed by appropriate environmental assessment guidelines that have been incorporated into the revised Environmental and Social Management Framework (2011) and through a workshop on social and environmental safeguard policies held in 2011 to project team members from the six regional offices. Additional measures to address environmental impacts and meet Bank environmental safeguards during the AF project include: (i) full time inclusion of two environmental and social specialists in the project executing unit, and (ii) random field visits to selected project sites by the Bank environmental and social specialists; and (iii) quarterly social and environmental supervision reports prepared by the PIU. Project has not supported any subproject that could negatively affect forest ecosystems and natural habitats.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The project is specifically designed to foster demand-driven subprojects in the intervention area that have favorable long-term socioeconomic and environmental impacts. The subprojects go through screening process to ensure that maximum socioeconomic benefits are accrued and any possible negative environmental impacts are avoided or minimized.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

At the time the Parent Project was prepared, a supply-chain approach was considered, which would select certain winner products and then seek to open the bottlenecks that were keeping them from reaching the market. This approach was rejected because of its limited socioeconomic and development impacts given that vast areas have low market access, particularly compared to the more inclusive territorial approach that would build on existing assets to reduce poverty rather than only concentrating on increased production.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. As part of the Environmental Assessment (EA) developed during preparation of the parent project, an Environmental Management Framework (EMF) was also developed, which included identification of the potential environmental impacts associated with project activities. Given that the exact location and specific nature of subprojects to be developed under the project would be determined only during project implementation, the EA evaluated the range of potential types of subprojects and the lands on which they would be implemented that could be supported through the project. The EA and preliminary assessments confirmed that the project area, which ranges from 2,000 meters to about 5,000 meters above sea level, includes highland ecosystems that are ecologically fragile and prone to degradation.

The aforementioned EMF included a screening process for identifying the potential impacts of proposed subprojects and proposes specific measures to mitigate such impacts

and to monitor their implementation. As indicated in the original Social Assessment (see below), there has been ample consultation and stakeholder analysis in the preparation of the project which included discussions regarding the potential environmental impacts and benefits associated with the proposed project.

The EMF included the necessary procedures to avoid, minimize or mitigate the potential negative environmental impacts listed above. The EMF is mainstreamed within the overall project rather than being a separate component. The environmental impact review, prevention, and mitigation measures recommended by the EMF were incorporated into the criteria and procedures of the Operational Manual.

These operational rules included (i) clear eligibility and prioritization criteria for the types of subproject activities that can be financed; (ii) clear eligibility and prioritization criteria for the types of lands on which those subprojects can be financed; (iii) review procedures and specific responsibilities within AGRORURAL to ensure that all subproject contracts are awarded, administered, and supervised in accordance with these criteria; and (iv) environmental management procedures to ensure that projects are implemented and maintained in accordance with environmental best practice. AGRORURAL, which will have qualified environmental and social specialists on staff, will be responsible for supervising overall compliance of the Bank environmental safeguards. The eligibility criteria for subprojects require, inter alia, (i) no clearing or conversion of forests or other natural habitats to establish new agricultural systems, (ii) any agro-forestry or reforestation activity can only use non-native species if they do not displace native species or natural ecosystems, (iii) any small community works or infrastructure activities strictly adhere to the 3-stage, 15-step EA evaluation process explained in the PAD, and (iv) selection criteria will give greater weight to subproject proposals that would directly promote conservation and restoration of degraded natural resources.

The EMF provided criteria to (i) screen subproject proposals by the type of activity (including basic infrastructure) and the sensitivity of the proposed sites, (ii) identify key potential adverse environmental impacts, (iii) ensure subprojects do not contribute to key environmental problems currently faced in the Sierra, (iv) determine the environmental legal and institutional requirements in Peru (including the minimum requirements for institutional capacity), (v) provide measures to mitigate potential adverse impacts, and (vi) carry out the process of public consultations. These criteria also include a list of activities that are not eligible for subproject financing. It provides specific guidelines and questionnaires for the process of reviewing subproject proposals. The EMF also includes measures to ensure consistency with the Natural Habitats (OP 4.04), Pest Management (OP 4.09), and Forest Policies (OP 4.36). These policies are triggered as the project has the potential to affect natural habitats (including forests), and may support pest management activities as part of productive activities. As such, project and site screening criteria have been defined and are included in the EMF within the Operations Manual.

The EMF included in the EA developed during preparation of the parent project provides a 15-step evaluation process in three stages: (i) preparation, (ii) prefeasibility,

and (iii) feasibility. All subprojects will go through the preparation and prefeasibility stages. Based on the results of the prefeasibility screening, some subprojects will have to complete the feasibility steps as well.

Borrower's capacity to plan and implement these measures is considered moderate to high, based on previous and ongoing project experience.

In addition, a new and more practical Environmental and Social Management Framework (ESMF) was prepared by the borrower during implementation of the parent project (2011). This ESMF is the tool currently guiding the borrower's compliance with the Bank environmental and social safeguard policies. It is expected that, during the AF, the PIU would be strengthened with two full-time specialists to ensure compliance with environmental and social safeguards. Also, a three-day training event on social and environmental safeguards and management was held in Ayacucho in February 2011 with full participation of the PIU's central and regional teams, including participation of consultants that prepared the ESMF.

The borrower also conducted a comprehensive social assessment (SA) in the six regions of the central and southern Sierra that is covered by the proposed project (Ayacucho, Apurimac, Huancavelica, Huánuco, Junín and Pasco). The main areas covered by the social assessment include (i) social objectives, (ii) legal framework, (iii) stakeholder groups, (iv) consultations, (v) key inputs to the project, (vi) social characteristics of the project areas (indigenous groups, gender, potential risks, and impacts), and (vii) monitoring and evaluation arrangements.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Stakeholders involved in the project can be divided into those that are expected to benefit or be affected directly by the project and those that may act as facilitators in the implementation of the project. Main stakeholders in the rural Sierra include: (a) Rural communities and organizations of subsistence farmers and indigenous people who will participate and get benefited from the project through Component 2; (b) Regional and provincial governments that can submit proposals for institutional strengthening under Component 3; (c) Associations or groups of producers and small microenterprises and groups of small producers who will participate and benefit from the project through Component 1; (d) Civil society organizations that will participate in the project as experts and provide technical assistance to project beneficiaries, and as members of the Mesas de Concertación de Lucha contra la Pobreza and the Local Coordinating Councils (CCLs), which can play a principal role in coordinating and planning development investments at the provincial level; (e) Representatives of the public and private sector as well as civil society entities that compose the Local Resources Allocation Committees (CLARs), in charge of validating the selection of subproject proposals; and (f) Farmers and producers not affiliated with peasant communities or organized groups. To avoid that rural poor, that neither belong to such groups nor have other legally recognized affiliation, are excluded from the activities, the project must develop a well-structured communication

plan and give unaffiliated farmers enough time to organize groups that are eligible to participate in the project.

During the preparation of the Parent Project, in 2006, representative of about 120 civil society organizations with good practices and experience in rural business and rural development attended twelve workshops and were consulted on five main topics including on project design and component activities. Similarly, the project consulted more than 10,000 farmers (30 percent of whom were women), which all welcomed the project in their communities.

To strengthen the stakeholder participation the project also includes a Communication Plan that will use appropriate local media to disseminate information in Spanish and Quechua to promote participation in the project (and later to disseminate information on implementation and results).

---

***B. Disclosure Requirements Date***

---

**Environmental Assessment/Audit/Management Plan/Other:**

Was the document disclosed <b>prior to appraisal?</b>	Yes
Date of receipt by the Bank	10/01/2012
Date of "in-country" disclosure	10/25/2012
Date of submission to InfoShop	10/17/2012
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

---

**Resettlement Action Plan/Framework/Policy Process:**

Was the document disclosed <b>prior to appraisal?</b>	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

---

**Indigenous Peoples Plan/Planning Framework:**

Was the document disclosed <b>prior to appraisal?</b>	Yes
Date of receipt by the Bank	03/30/2006
Date of "in-country" disclosure	03/30/2006
Date of submission to InfoShop	12/04/2006

---

**Pest Management Plan:**

Was the document disclosed <b>prior to appraisal?</b>	Yes
Date of receipt by the Bank	02/15/2006
Date of "in-country" disclosure	10/25/2012
Date of submission to InfoShop	10/17/2012

---

**\* If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

---

---

**If in-country disclosure of any of the above documents is not expected, please explain why:**

All safeguard documents contained in the Environmental, Social, and Cultural Management Framework revised in 2011.

The whole project is considered to benefit Indigenous Peoples and a separate IPP/IPF is not requested.

---

***C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)***

---

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes

---

**OP/BP 4.04 - Natural Habitats**

Would the project result in any significant conversion or degradation of critical natural habitats?	No
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	N/A

---

**OP 4.09 - Pest Management**

Does the EA adequately address the pest management issues?	Yes
Is a separate PMP required?	No
If yes, has the PMP been reviewed and approved by a safeguards specialist or SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	N/A

---

**OP/BP 4.11 - Physical Cultural Resources**

Does the EA include adequate measures related to cultural property?	Yes
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes

---

**OP/BP 4.10 - Indigenous Peoples**

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	No
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	N/A
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager?	Yes

---

**OP/BP 4.36 - Forests**

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?	Yes
Does the project design include satisfactory measures to overcome these constraints?	Yes
Does the project finance commercial harvesting, and if so, does it include	No

---

provisions for certification system?

---

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank's Infoshop? Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? Yes

---

**All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? Yes

Have costs related to safeguard policy measures been included in the project cost? Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? Yes

---

***D. Approvals***

<b><i>Signed and submitted by:</i></b>	<b><i>Name</i></b>	<b><i>Date</i></b>
Task Team Leader:	Mr Renato Nardello	12/14/2012
Environmental Specialist:	Mr Raul Tolmos	11/30/2012
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Mr German Nicolas Freire	11/30/2012
<b><i>Approved by:</i></b>		
Sector Manager:	Mr Laurent Msellati	12/16/2012
Comments:		