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MULTILATERAL INVESTMENT FUND

PERU

**TERRITORIAL DEVELOPMENT AND JOB CREATION IN THE
LURÍN RIVER VALLEY, LIMA**

(PE-M1057)

DONORS MEMORANDUM

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ABBREVIATIONS

AWP	Annual Work Plan
CGDD	Centro Global para el Desarrollo y la Democracia [Global Center for Development and Democracy]
CIED	Centro de Investigación, Educación y Desarrollo [Research, Education, and Development Center]
LED	Local economic development
NGDO	Nongovernmental development organizations
PSR	Project Status Report
MSBs	Microenterprises and small businesses

PERU
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EXECUTIVE SUMMARY

Beneficiaries/ executing agencies:	Centro Global para el Desarrollo y la Democracia [Global Center for Development and Democracy] (CGDD) and Centro de Investigación, Educación y Desarrollo [Research, Education, and Development Center] (CIED).		
Beneficiaries:	1,000 direct beneficiaries, including microentrepreneurs and business owners, leaders of social and production organizations, and municipal authorities and officials.		
Financing:	MIF (Nonreimbursable)	US\$ 980,000 ¹	(61%)
	Counterpart	US\$ 629,170	(39%)
	Total	US\$ 1,609,170	
Objectives:	The project's general objective is to help boost the competitiveness of the Lurín River valley through joint action by the region's public and private entities. The specific objective is to develop local capacity to manage and promote production activities, particularly through technological innovation and value added, thus facilitating job creation.		
Execution timetable:	Execution period:	36 months	
	Disbursement period:	36 months	
Special contractual clauses:	Conditions precedent to the first disbursement: (i) the Board of Directors has been set up; (ii) the project Operating Regulations have entered into force; (iii) the project coordinator has been selected in accordance with Bank procedures; and (iv) the executing agencies have submitted to the Bank—and the Bank has approved—the Annual Work Plan for the first year of project execution as well as the Milestone Planning Table for disbursements throughout the project execution period.		
Environmental and social review:	This operation was reviewed on 8 July 2008 and the comments were incorporated into paragraphs 7.1 and 7.3. The operation received a “C” classification.		
Coordination with other donors:	No other donors developing similar projects were identified.		
Exceptions to Bank policy:	The project auditors will be hired by the Bank rather than by the executing agency.		

¹ The MIF contribution includes US\$4,900 for MIF Impact Evaluation System activities and US\$30,000 for activities of the “Promotion of Local Competitiveness” Project Cluster. These funds will be disbursed and credited to the Bank's respective accounts without the need for a disbursement request from the beneficiary.

I. BACKGROUND

A. Characteristics of the target territory

- 1.1 The Lurín River Valley, located to the southwest of Metropolitan Lima, extends from the coastline to the Otoshmicumán and Chanape snow-capped mountains in the province of Huarochirí, 4,200 meters above sea level (the Lurín River is 108 km long). Thus, the valley encompasses three ecological strata and both coastal and mountain production activities. This 1,700 km² valley covers the districts of Antioquia, Lahuaytambo, Langa, Cuenca and Santiago de Tuna in the province of Huarochirí, in the Lima Region, and the districts of Cieneguilla, Lurín, and Pachacámac in Metropolitan Lima.
- 1.2 With a population of 133,540, 40% of whom live in rural areas, the valley is the last green refuge for the city of Lima and a major tourist destination, since it contains more than 300 archeological sites (including the Pachacámac Archeological Sanctuary, the second most visited site in Peru after Machu Picchu).
- 1.3 This territory suffers from significant problems such as **poverty, which affects 50% of the population, and unemployment, which affects 8% of the economically active population.** The valley has an economy based on agriculture, with poor campesino communities at higher elevations and small commercial growers in the lowlands **who lack the capability to enhance their agricultural business endeavors, form partnerships, and improve their terms of trade.** They also face major **limitations due to a scarcity of water, lack of service and transportation infrastructure, and urban spillover into their agricultural areas,** which results in high migration flows to the city in view of the proximity to Lima, and a decline in traditional productive activities.
- 1.4 In the lower valley, the main activity is agriculture (maize, sweet potatoes, strawberries and vegetables), the city of Lima being the primary market. In addition, beef cattle are raised for meat and milk. In the middle valley, the agricultural area covers 5,600 hectares and is predominantly given over to apple (94%) and, to a lesser extent, quince (5%) farming. Small animals (guinea pigs, ducks and chickens) are also raised. In the upper valley, subsistence agriculture is prevalent, although aromatic and medicinal herb crops are also grown for export. Cows, sheep, goats, and small animals are raised in the upper valley as a supplementary activity.
- 1.5 In all cases, most crops are produced without the use of chemical inputs and, in many cases, traditional technologies are in use. The main irrigation system is gravity irrigation (flooding), and water is distributed in the districts through irrigation boards (6,200 hectares are under irrigation). The valley is home to 150 microenterprises and small businesses engaged in tourism, agroindustry, agriculture, crafts, and cattle farming, as well as 15 medium-sized and six large companies.
- 1.6 There are private technological colleges in the valley, one of which offers training in agribusiness. The Universidad Nacional Agraria La Molina has entered into

agreements with nongovernmental development organizations (NGDOs) to engage in research and outreach activities in the valley. In addition, the Universidad del Pacífico will in the near future build a campus in the lower portion of the valley.

- 1.7 There is also significant industrial mining activity in the valley, involving major investments, but it is not intertwined with the local economy. Cementos Lima S.A., Peru's largest cement manufacturer, is located in this valley and, through the Atocongo Civil Association, implements social responsibility policies with respect to the surrounding communities.

B. The decentralization process in Peru

- 1.8 The decentralization process in Peru has gone through various stages since it began in the 1980s. While the 1979 Constitution was in effect, local self-government was instituted and regions were introduced at the intermediate level (1980-1992). At the local level, municipalities achieved political autonomy such as direct elections, although their autonomy remained limited in the financial area. However, in the 1992-2000 period, the Executive Branch was restructured, eliminating the regions and creating the Interim Regional Administration Councils.
- 1.9 The 2002 constitutional reform on decentralization provides for a flexible and gradual process, in which essential elements of the decentralization process were identified as a phased, technically supported transfer of areas of responsibility, functions, and resources to the subnational governments.
- 1.10 After the constitutional reform, general and specific laws were enacted to create regional governments and reinforce the municipios, initiating the transfer of areas of responsibility, functions, and resources to the subnational governments. Between 2003 and 2006, subnational governments' share in the National Budget rose from 29% to 36% and their tax revenues increased by 322%. Under the current government, this process has continued with the enactment of complementary laws that expand the transfer of areas of responsibility and resources. The national government still sets sector policies, while the regional governments undertake planning and coordination responsibilities, and the municipios expand their capacity to execute programs and projects. However, despite the growth in the population's participatory experience in plan and budget approval and oversight, the subnational governments' management capabilities need to be significantly improved in order to make regional and local public spending more efficient.
- 1.11 In this regard, the Municipal League Act provides specific incentives for creating associations of municipalities in common areas such as valleys and economic corridors. Thus, in recent years, the traditional social institutions active in the valley (campesino communities, irrigation boards, and producers' committees) have been joined by the Municipal Authorities Association, consisting of authorities from the 10 districts of the Lurín Valley, as well as by NGDO platforms and new social networks.

- 1.12 The Municipal Authorities Association was created in 2002 and has formulated the first development plan for the valley with the support of three NGDOs—the Research, Education, and Development Center (CIED), the Instituto de Desarrollo y Medio Ambiente [Development and Environment Institute] (IDMA), and Grupo GEA—and the Atocongo Association to execute several of the projects involved. This initiative has engendered a process of collaboration between municipal authorities, producers’ organizations, NGDOs, and private companies, all of which recognize the need to work together on water management, road upgrades, and tourism service improvement. This collaboration process has been supported by the national government and the Lima regional government.

C. Challenges and opportunities

- 1.13 In Metropolitan Lima, environmental pollution, loss of green areas, and stress generated by urban life are creating an environmental consciousness in the population and have led to rising **demand for quality environmental services such as organic products and natural recreational and tourism areas**, among others.
- 1.14 The fact that the valley is located close to a major urban market such as Lima, which has 8 million inhabitants, creates a development opportunity for the surrounding rural area through the supply of new products and services. However, **the low yield, volume, quality, and value added of the main products and services in this valley, as well as the technical limitations and pollution**, close off access to the opportunities being generated by both regional markets.
- 1.15 Moreover, the **weakness of the private and public entities and institutions that should be leading this valley’s development**, as well as the **business sector shortcomings in terms of innovation capabilities and the reformulation of a production strategy aimed at new products with greater value added**, create a bottleneck in the valley’s development potential and stifle the **creation and sustainability of new sources of employment and income** for the valley’s inhabitants, 50% of whom live under the poverty line.
- 1.16 Nevertheless, some mayors and leaders of producers’ and microentrepreneurs’ organizations are becoming aware that these weaknesses and the underdeveloped technical and collaborative action capacity prevent them from tapping underdeveloped market opportunities to create new sources of employment. However, even the private sector cannot overcome its own sector-based, fragmented view and its ignorance of the business potential that exists in this territory, which makes it difficult to incorporate new investment. For all these reasons, solutions are required that can improve the capacity of public and private actors to undertake collaborative activities.

D. Rationale and additionality

- 1.17 The increase in areas of responsibility, functions, and resources¹ that the national government is transferring to the regional and local governments, as well as the enactment of the Municipal League Act, pose an opportunity for promoting local economic development and public-private collaborative action in adjoining territories such as hydrographic basins and economic corridors. However, as explained in the preceding section, this opportunity is limited in some cases by underdeveloped capacity, both in the public institutions that should exercise these new responsibilities and in the business sector, which has difficulties in designing and implementing sustainable and economically viable production projects.
- 1.18 In particular, in the case of the Lurín River Valley, an additional element that could boost its development is the fact that the territory is at once the supply source for urban core of Lima and the recreation and tourism area for the inhabitants of this city, the largest in Peru.
- 1.19 For all these reasons, the proposed project will seek to take advantage of the opportunities created by decentralization and the city's growing demand, based on a public-private collaboration model that promotes the development of competitive factors in the territory. This will contribute to the sustainable and innovative development of small enterprises, allowing them to serve higher value local and national markets with products and services from this valley, which will in turn lead to the creation of new sources of employment and improve the population's income level.
- 1.20 In addition to the shared learning that results in territorial development and local competitiveness in rural areas, MIF support will facilitate public-private partnership-building and a supply of products and services with territorial identity, these elements being necessary for the initiative's sustainability and scalability. It will also, through the implementation of this pilot initiative, support the first years of the decentralization process. The project includes activities aimed at disseminating the experience with a view to ensuring that it is taken advantage of by other valleys and economic corridors in Peru, such as the southeastern Arequipa valley (see Component 4, paragraph 2.8 et seq.).

II. PROJECT OBJECTIVE AND DESCRIPTION

A. Objectives

- 2.1 The project's general objective is to help boost the competitiveness of the Lurín River valley through joint action by the region's public and private entities. The specific objective is to develop local capacity to manage and promote production

¹ Public and private resources that are increasing in the regions and municipalities (transfers, taxes, mining trust funds, cooperation funds).

activities, particularly through technological innovation and value added, thus facilitating job creation.

- 2.2 To achieve this, four components are proposed: (i) strengthening of public-private avenues for action on economic and environmental development; (ii) promotion of supply chains with territorial identity; (iii) support for the development of public-private initiatives capable of fueling investment; and (iv) monitoring, evaluation and dissemination of lessons learned.

B. Project description

Component 1: Strengthening of public-private avenues for action on economic and environmental development (MIF: US\$46,400; Counterpart: US\$258,485)

- 2.3 The purpose of this component is to strengthen the public-private avenues for action created by the mayors' associations, the NGDOs, the local businesses, and other social organizations. This will allow participatory preparation of the valley's territorial development plan and will support the creation of local channels for promoting productive development. It includes the following activities: (i) diagnostic assessment of actors and a more in-depth evaluation of the valley's potentials; (ii) strengthening of the existing avenues for public-private collaboration (Water Board); (iii) support for preparation of the valley's Territorial Development Plan; (iv) creation of new avenues for public-private collaboration for the valley's development; and (v) support for the implementation of local channels for promoting productive development. The last two activities will involve awareness-raising and training for government officials, business community leaders, and civil society.

Component 2: Promotion of supply chains with territorial identity (MIF: US\$469,390; Counterpart: US\$104,410)

- 2.4 The objective of this component is to create and strengthen supply and service chains for access to growing markets. It includes the following activities: (i) promotion of supply chains with territorial identity; (ii) strengthening of new ventures in value chains; (iii) facilitation of access to financial services for the chains' components; and (iv) business roundtables for the products and services of the local value chains.
- 2.5 Three supply chains have been identified (apple agroindustry, legumes, and tourism) whose components require technical assistance and specialized training to overcome existing bottlenecks in order to generate greater value added and make the jobs that are created sustainable. To support these efforts, technical assistance services will be provided on the management of agroindustry and tourism processes, marketing of agroindustrial products and tourism services, and business clustering. In addition, funds have been reserved for financing the provision of consulting services on specific technical subjects and for preparing and

implementing modules for training and know-how transfer by competency in areas arising from the demand for goods and services.

Component 3: Support for the development of public-private initiatives capable of fueling investment (MIF: US\$54,000; Counterpart: US\$41,250)

- 2.6 This component is aimed at supporting the design of collaborative public-private projects based on profiles submitted by participating institutions in areas such as sophisticated irrigation, forestry, agroforestry and environmental services that would make it possible to improve the territory's sustainability and competitiveness. MIF resources will be used to support the design of projects that could then be presented to different agencies in order to obtain government or international cooperation funds for their implementation.
- 2.7 To this end, the project's Operating Regulations will set out the criteria and procedures for allocating the funds. These regulations will ensure that the initiatives given priority: (i) are proposed by groups of at least three entities (public and private); (ii) are selected for their potential impact and replicability; (iii) contribute, by virtue of their implementation, to improving the sustainability of the natural resources underlying the goods and services in the project's prioritized supply chains; and (iv) identify the contributions of the public and private institutions involved and the potential external resources to be mobilized.

Component 4: Monitoring, evaluation, and dissemination of lessons learned (MIF: US\$140,345; Counterpart: US\$105,125)

- 2.8 The purpose of this component is to establish a tracking and evaluation system for the project's processes and outcomes, guide the mutual learning of the valley's public and private actors, and disseminate the Lurín experience in similar places among political and business decision-makers and the general public.
- 2.9 The activities include: (i) development and maintenance of the monitoring system for the project's activities and outcomes (includes determination of indicators and baseline); (ii) participatory systematization of the experience with public-private collaborative action in the Lurín valley; (iii) dissemination of the experience; (iv) participation in external events to disseminate the project and/or gain knowledge; and (v) internships and visits aimed at sharing local economic development (LED) experiences with actors in other regions, in accordance with the criteria established in the project's operating regulations.
- 2.10 **Expected project outcomes.** Execution of the project is expected to result in: (i) strengthening of the technical and management capabilities of local institutions, which will lead to new public and private investment encouraged by cooperation among municipios, the regional government, companies, and NGOs; an increase in collaborative agreements and projects; and the enactment of local laws that promote such initiatives; (ii) expansion and strengthening of agroindustrial and tourism service chains in the valley, increase in the production and sales volumes of the valley's main products and services, and improvement in productivity and

quality standards; and (iii) higher income for participating campesino families due to greater involvement of women and youth in the new enterprises.

III. COST AND FINANCING

3.1 The project's total cost will be US\$1,609,170, of which 61% will be a nonreimbursable MIF contribution (US\$980,000); counterpart funding will be the responsibility of the Global Center for Development and Democracy (CGDD) and the Research, Education, and Development Center (CIED).

Expense categories	MIF	Local cont.	TOTAL	%
C-1: Strengthening of public-private avenues for action	46,400	258,485	304,885	19.4%
C-2: Development of supply chains	469,390	104,410	573,800	36.4%
C-3: Promotion of competitiveness factors	54,000	41,250	95,250	6.1%
C-4: Monitoring and dissemination of lessons learned	140,345	105,125	245,470	15.6%
Project coordination	127,900	119,900	247,800	15.7%
Contingencies	57,065	-	57,065	3.6%
Audits	25,000	-	25,000	1.6%
Midterm and final evaluations	25,000	-	25,000	1.6%
SUBTOTAL	945,100	629,170	1,574,270	100%
<i>Percentages</i>	<i>60.0%</i>	<i>40.0%</i>	<i>100.0%</i>	
Impact evaluation system account	4,900	-	4,900	
"Promotion of Local Competitiveness" cluster activities	30,000	-	30,000	
TOTAL	980,000	629,170	1,609,170	
<i>Percentages</i>	<i>60.9%</i>	<i>39.1%</i>	<i>100.0%</i>	

3.2 **Sustainability.** Sustainability is created by the project outcomes themselves and their demonstration effect in terms of greater involvement of local producers and agents in the development process. At least one year before the end of the project execution period, a sustainability workshop will be held with representatives from the Bank, the executing agencies, and others to be agreed upon, in order to identify the actions needed to ensure continuity of actions once project funding is exhausted.

IV. PROJECT EXECUTION

4.1 **Executing agencies.** The project will be executed jointly by the following institutions: (a) the *Global Center for Development and Democracy (CGDD)*, a nonprofit civil association founded in 2006, comprised of professionals with extensive experience in policy design and public management in high-ranking positions in the national government, and aimed at achieving an impact on policies and projects to overcome poverty, promote social responsibility, and improve conditions for democratic governance; and (b) the *Research, Education, and Development Center (CIED)*, a nongovernmental organization with more than

- 35 years' experience in rural and local development with a territorial focus, executing programs and projects in four regions of the country. Since 1991, the CIED Lima Program has been involved in the middle and upper Lurín river valley, fostering dialogue and consensus-building among public, private, and social institutions and promoting productive innovation based on the sustainable development of natural resources and galvanizing the local economy with a view to improving the quality of life of the region's inhabitants and overcoming poverty.
- 4.2 Based on the nature of the activities and scope of the project, complementarity in terms of each executing agency's institutional experience and personnel is suitable for project implementation where an important effort will focus on coordination between the public sector and private sector producers.
- 4.3 **Organization of execution.** The project will be executed under the direction of a **Board of Directors** comprised of representatives from the executing agencies. Immediately after its creation, the Board of Directors will develop internal operating guidelines for carrying out its objectives and duties. It will hold at least one regular meeting per quarter (four meetings a year), as well as any additional meetings needed to execute the project. The duties of the Board of Directors will include the following: (i) approving the Annual Work Plan (AWP) and the Performance Matrix; (ii) approving and overseeing the itemized budget used in the program; (iii) monitoring and evaluating project activities according to the submitted activity timetable and the project's operating regulations; (iv) approving the operating regulations and any amendments thereto; (v) approving documents and proposals before the validation processes in all areas of the program; (vi) selecting and removing the members of the executing unit team, including the Project Coordinator; (vii) ensuring the program's sustainability when the IDB/MIF operation concludes; and (viii) entering into agreements with public and private institutions to facilitate normal development of the program.
- 4.4 In addition, during the first 12 months of project execution, an **Advisory Board** will be set up comprised of CGDD and CIED representatives, one representative from the Municipal Authorities Association, one Water Board representative, one LED Platform representative, one NGO Platform representative, and one representative from the Lurín Valley producers' associations that are project beneficiaries². The Advisory Board will have the following duties: (i) act as an advisory body for decision-making purposes; (ii) approve the expansion of project services to other supply and/or service chains; and (iii) approve the criteria and operating procedures for the competitive fund aimed at supporting the design of sustainable development projects, and award the resources to the winning institutions.
- 4.5 The project's **executing unit** will be set up within the CGDD and will consist of a Project Coordinator, an Administrator, and an Accountant. The executing unit will be responsible for: (i) overall management of the project in the financial,

² This requirement is part of the disbursement milestones.

administrative, and technical areas, as set forth in the Operating Regulations; (ii) operational monitoring of project activities; (iii) the design, implementation, and execution of the Annual Work Plan; (iv) organization and maintenance of the program's administrative file; (v) project procurement, including preparing the terms of reference and supervising and coordinating with the consultants hired; (vi) oversight of budget management and handling; (vii) processing of requests for disbursement of the Banks' contribution; (viii) preparation of statements of account for the funds used; (ix) submittal of administrative and technical reports to the Bank and the MIF; (x) coordination of necessary actions with the project's various actors; (xi) review and proposal of changes to the Operating Regulations; and (xii) awareness raising among actors and dissemination of results.

- 4.6 **Disbursements.** In addition to meeting the requirements set forth in the General Conditions of the Technical Cooperation Agreement and the Bank's standard procedures for the disbursement of nonreimbursable technical-cooperation funds, disbursements will be conditional on meeting the key indicators (milestones) defined and agreed upon by the executing agencies and the MIF during the Annual Work Plan approval process, verification of which will be done as agreed upon by the parties. The funds will be disbursed by means of an advance to the executing unit (revolving fund for 15% of the MIF contribution). Meeting the milestones does not release the executing agencies from responsibility for meeting the project's targets in accordance with the Logical Framework. The first advance of funds to the executing agencies will be subject to the conditions provided in the executive summary. The Bank may recognize—as part of the resources from the contribution—expenses involving the financing of processes to set up the project management bodies, their training, and other expenses related to the initial implementation of the project, in the amount of up to US\$40,000 equivalent. Such expenses will have been incurred before approval of the operation, but after eligibility (28 May 2008), provided Bank procedures have been followed.
- 4.7 **Procurement.** The executing agencies, through the executing unit, will be responsible for the procurement of goods, services, and consulting services for the project, as set forth in Bank policies (documents GN-2349-7 and GN-2350-7 or their revised versions) and MIF guidelines, as well as in the Procurement Plan. Before initiating procurement for the project, the executing unit will submit a Procurement Plan to the Bank for consideration. The Procurement Plan will be reviewed and updated every six months. After two procurement processes for goods and services and two for consultants have been conducted, the Bank may agree with the executing agency on an ex post semiannual review of the following contracts. The MIF may modify the application and frequency of the reviews based on the results of the reviews conducted during project execution.

V. MONITORING AND EVALUATION

- 5.1 **Project status reports.** The executing agencies, through the executing unit, will be responsible for submitting project status reports (PSRs) to the MIF within 30 days

following the end of each calendar six-month period. These reports will follow a format previously agreed upon with the IMF; will report on progress in project execution, achievement of milestones, results obtained, and their contribution to achieving the project's objectives, based on the Logical Framework and other operational planning instruments; and will report problems encountered and possible solutions. Within 90 days prior to the completion of project execution, the executing unit will submit a final report (Final PSR) to the MIF describing the results achieved, the sustainability plan, and the lessons learned.

- 5.2 **Financial monitoring.** The executing agencies, through the executing unit, will establish and be responsible for maintaining proper accounting records for the project's finances as well as internal controls and control of the project's filing systems, pursuant to IDB/MIF accounting and auditing guidelines and policies. The IDB will hire independent auditors to audit the financial statements prepared by the executing unit when 50% of the disbursements have been made and again at the end of project execution. In addition, the support documentation for the disbursements will be reviewed ex post every six months. The MIF may modify the application and frequency of the reviews based on the results of the reviews and/or institutional evaluations performed during project execution.
- 5.3 **Evaluation.** Two evaluations will be performed by independent consultants selected and hired by the Bank at the operation's expense. The midterm evaluation will be conducted when 50% of the funds have been disbursed or after 18 months of execution, whichever occurs first. The final evaluation will take place 90 days prior to the end of execution. The terms of reference for these evaluations will be prepared by the executing agencies and approved by the Bank. The midterm evaluation will cover the following aspects, among others: (i) project execution mechanism, interagency collaboration, and participation of the various institutions in the activities; (ii) mechanisms for selecting technical assistance beneficiaries; (iii) steps taken to facilitate project sustainability; (iv) performance of the consultants and instructors contracted by the project; (v) degree of completion of scheduled activities and evolution of the Logical Framework indicators; (vi) efficacy of actions taken and satisfaction of beneficiaries; and (vii) support in identifying project areas and experiences that could be replicated in other regions. The final evaluation will include an analysis of the results achieved in comparison with the initial baseline and will also examine the following aspects: (i) sustainability of actions undertaken; (ii) degree of fulfillment of the project's purpose and objectives; (iii) impact of the actions; and (iv) lessons learned from execution. Within three months prior to the end of the project execution period, a Closing Workshop will be organized with the participation of representatives from the Bank, the executing agencies, and others to be agreed upon. The purpose will be to evaluate jointly the results achieved, identify the lessons learned, and agree on the scope of an ex post evaluation, as the case may be.

VI. PROJECT BENEFITS AND RISKS

- 6.1 **Benefits.** At the end of execution, the project will have made it possible to develop institutional capabilities for collaborative action and promote opportunities of dialogue between the government, civil society, and the private sector, creating better conditions for establishing local development policies and medium-term commitments and resolving social and environmental conflicts, thus improving local governance and contributing to local economic development. In addition, the development of producers in value chains will have made it possible to include small producers in the market, while the diversification of production activities will have made it possible to create jobs and raise the income of the valley's families.
- 6.2 **Risks.** The main risks faced by this operation are:
- a. The local public sector entities do not have the capacity to implement a more efficient system of interaction with the companies and of territorial management. Therefore, training and technical assistance activities have been included for the personnel involved in these tasks. In addition, clear execution mechanisms have been proposed, and the consulting fund under Component 2 provides the flexibility needed to adapt to changes in the production system.
 - b. A reduction in water supply, caused by a decrease in rainfall and the installation of mining companies in the upper and middle valley. While the solution to this problem is not within the scope of this project, activities have been included to support the design of collaborative public-private projects that could address this issue (Components 1 and 3).

VII. ENVIRONMENTAL AND SOCIAL ISSUES

- 7.1 The project is expected to have a positive social impact since it will help reduce poverty by creating new sources of employment, increasing family income, and developing the capacity for participating in the social and production organizations active in the target communities. The project is also expected to have a positive environmental effect, since it will promote ecological production in agriculture and rural agroindustry among local producers, thus directly contributing to sustainable ecosystem management and improved environmental services. In the case of agroindustrial products that generate liquid and solid wastes with minor and localized impacts for which there are known mitigation measures, the executing agency will determine the relevant mitigation measures. For irrigation projects, systems with efficient water use will be promoted, such as drip irrigation and other applicable systems.
- 7.2 In addition, the project's contribution to the design of local policies favoring these activities, as well as the implementation of water and soil management projects promoted by the municipios and regional governments as a result of this project, are a substantial contribution in this regard.

- 7.3 The funds from the contribution will be used in accordance with the Bank's Environment and Safeguards Compliance Policy (document OP-703) and the Operational Policy on Indigenous Peoples (document OP-765). The project received a Category "C" classification.

TERRITORIAL DEVELOPMENT AND JOB CREATION IN THE LURÍN RIVER VALLEY, LIMA
PE-M1057
LOGICAL FRAMEWORK

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
<p>Help boost the competitiveness of the target region through joint action by public and private entities in the region.</p>	<p>Three years after the end of the project:</p> <ul style="list-style-type: none"> ✓ Two public-private platforms (Water Board and Local Economic Development) continue providing services in sustainable water management and local economic development in the Lurín valley. ✓ At least 60% of the production units supported by the project remain in the market with positive growth rates (sales) and profits. 	<ul style="list-style-type: none"> ✓ Statistics from the Instituto Nacional de Estadística e Informática [National Institute of Statistics and Information Science] (INEI), the Ministry of Agriculture, and the Ministry of Foreign Trade and Tourism. ✓ Statistics on family income, national, regional, and municipal sources ✓ Project impact evaluation (subject to MIF eligibility) ✓ Baseline established at the end of project execution 	<ul style="list-style-type: none"> ✓ The macroeconomic and political scenario remains stable. ✓ The initiative continues to be supported by the relevant public and private sector entities. ✓ Social dialogue¹ is still considered the best instrument for dispute resolution.
PURPOSE			
<p>Develop local capacity for managing and promoting production activity, particularly through technological innovation and value added, thus facilitating job creation.</p>	<p>By the end of execution, the following outcomes are expected in the production or service units supported by the project:</p> <ul style="list-style-type: none"> ✓ 20% increase in productivity on average (production value/total costs) ✓ At least 20% of agroindustrial production units introduce new production practices with appropriate technology ✓ At least 20% of the tourism service units provide services complying with the standards established by the Ministry of Foreign Trade and Tourism. 	<ul style="list-style-type: none"> ✓ Project Status Report (PSR) ✓ Midterm and final evaluations ✓ Financial and economic reports from the entities ✓ Report from the monitoring system on the improvements achieved by the production units. 	<ul style="list-style-type: none"> ✓ Market conditions and policies remain stable for the region's companies and institutions. ✓ There are no interagency power struggles that threaten project performance. ✓ Interest and involvement by the Regional

¹ As defined by the International Labor Organization, social dialogue includes all manner of negotiations and consultations—even a simple exchange of information—between representatives of governments, employers, and workers on issues of common interest relating to economic and social policies.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> ✓ At least 30% of the agricultural production units introduce new practices in irrigation, organic fertilizing, and integrated pest management. ✓ The Water Board and Local Economic Development institutional platforms are strengthened with good sustainability prospects (evidence of commitment by the most relevant participants and operating/strategic plans for at least three years). 		<p>Government of the Lima Province, the valley's Mayors' Association, companies, organized civil society, and NGOs.</p>
COMPONENTS			
<p>COMPONENT 1: Strengthening public-private avenues for action on economic and environmental development. Strengthen the public-private avenues for action created by mayors' associations, NGDOs, local companies, and other social organizations. This will lead to participatory formulation of the territorial development plan for the valley and will support the creation of local channels to promote productive development.</p>	<p>By month 12:</p> <ul style="list-style-type: none"> ✓ The Water Board platform has a plan for strengthening its capacity and a proposal regarding the Water Management Fund. ✓ The Local Economic Development platform has been created with at least 17 public and private institutions. . <p>By the end of execution:</p> <ul style="list-style-type: none"> ✓ At least 12 initiatives agreed upon by the Local Economic Development platform have been satisfactorily implemented. ✓ At least 50% of the valley's municipios have an office promoting local economic development. ✓ A Territorial Development Plan for the valley is being executed. ✓ The Water Board has promoted environmental policies and a collaborative program for planting, harvesting, and water use. 	<ul style="list-style-type: none"> ✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s) ✓ Midterm and final evaluations ✓ Reports from the technical groups on tourism and production development. ✓ Platform Charter ✓ Valley Territorial Development Plan (document). 	<ul style="list-style-type: none"> ✓ The institutions, private companies, and organized civil society participating in the work groups remain committed to the established objectives.
<p>COMPONENT 2: Promotion of supply chains with territorial identity. Create and strengthen supply and service chains for access to growing markets.</p>	<p>By month 12:</p> <ul style="list-style-type: none"> ✓ At least 10 microenterprises in the Black-eyed Pea, Tourism Services, and Apple Vinegar chains are receiving technical assistance services from the project. <p>By the end of the project:</p> <ul style="list-style-type: none"> ✓ At least 20 local microenterprises belonging to the Black-eyed Pea, Tourism Services and Apple Vinegar chains satisfactorily complete technical assistance activities, implementing technological, process, marketing, and other changes. 	<ul style="list-style-type: none"> ✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s) ✓ Midterm and final evaluations ✓ Statistical reports on the production and marketing of products for each promoted value chain. ✓ Baseline 	<ul style="list-style-type: none"> ✓ The demand for and prices of the supply-chain products do not undergo dramatic declines in most of the destination markets. ✓ Participating companies have a minimum capacity for implementing and financing production

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> ✓ The number of producers and microenterprises and small business (MSBs) in the three chains have increased by at least 15%. ✓ At least 30% of the producers and MSBs in the three chains have access to lines of credit. 		<p>changes based on technical assistance received.</p>
<p>COMPONENT 3: Support for the development of public-private initiatives capable of fueling investment. Support the design of collaborative public-private projects based on profiles submitted by participating institutions in areas such as more technologically sophisticated irrigation, forestry, agroforestry, and environmental services, making it possible to channel government or international cooperation funds and new investments designed to improve the territory's sustainability and competitiveness.</p>	<p>By month 12:</p> <ul style="list-style-type: none"> ✓ There are at least eight possible investment projects for strengthening competitiveness and sustainability of agricultural production. <p>By the end of the project:</p> <ul style="list-style-type: none"> ✓ There are two investment projects formulated that have committed funds for strengthening the competitiveness and sustainability of agricultural production. 	<ul style="list-style-type: none"> ✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s) ✓ Records of dissemination actions ✓ Midterm and final evaluations ✓ Record of projects submitted 	<ul style="list-style-type: none"> ✓ There are entrepreneurs and institutions interested in supporting public-private investments for promoting economic development.
<p>COMPONENT 4: Monitoring, evaluation, and dissemination of lessons learned. Establish a tracking and evaluation system for project processes and outcomes; guide learning among the valley's public and private actors; and disseminate the Lurín experience in similar places among political and business decision-makers and the general public.</p>	<p>By month 12:</p> <ul style="list-style-type: none"> ✓ Evaluation and monitoring system has been established and applied. <p>By the end of the project:</p> <ul style="list-style-type: none"> ✓ The Lurín public-private action experience has been disseminated through events, seminars, meetings, etc. to at least 50 regional and national institutions, both public and private. 	<ul style="list-style-type: none"> ✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s) ✓ Records of dissemination actions ✓ Midterm and final evaluations ✓ Web page 	<ul style="list-style-type: none"> ✓ Institutions and beneficiaries are committed to the success and dissemination of the project. ✓ The project achieves visible results and generates interest among other regional and national institutions.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
ACTIVITIES			
1.1. Diagnostic assessment of the valley's actors and potentials	By month 4: ✓ Actors map has been developed. ✓ Potential map has been developed.	✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s)	✓ The valley's public and private institutions and civil society are committed to collaborative work.
1.2. Strengthening of existing avenues for public-private collaboration (Water Board)	By month 9: ✓ Diagnostic assessment of collaborative action capacity of the institutions comprising the Water Board and of a proposal on organizational development and the development proposal. By the end of the project: ✓ The Water Board has promoted the presentation of proposals for solving water management problems.	✓ Midterm and final evaluations ✓ Reports from the technical groups on tourism and production development ✓ Valley Territorial Development Plan ✓ Consultants' contracts	
1.3 Creation of new avenues	By the end of the project: ✓ A platform has been created for promoting local economic development (LED), made up of five NGOs, 10 local governments in the Valley, a regional government representative, heads of public programs and projects, MSBs and producers' associations, companies, and others.	✓ Profile for the design of the water management fund in the Lurín valley ✓ Record of workshop participants ✓ Meeting minutes ✓ Materials developed ✓ Photographic records	
1.4. Support for the implementation of local agencies to promote local economic development.	By month 6: ✓ A proposal has been designed for putting in place an LED promotion agency in the local governments. By month 12 ✓ At least 30% of the municipios have established their LED promotion agency and receive technical support from the project. By month 9: ✓ A training plan has been designed for private and public actors and civil society to promote LED. By month 12: ✓ Educational materials have been prepared on the promotion of LED (100 of each).	✓ Final report on the approved Territorial Development Plan	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>By month 12: ✓ 30 municipal officials, private and public actors, and civil society actors have received training on the territory's economy, promotion of nonagricultural activities, laws, and social responsibility.</p> <p>By month 24: ✓ An additional 25 municipal officials, private and public actors, and civil society actors have received training on the LED platform.</p>		
<p>1.5. Support for preparation of the valley's Territorial Development Plan.</p>	<p>By month 8: ✓ There is a methodology for participatory design of the valley's Territorial Development Plan with public, private, and social actors.</p> <p>By month 11: ✓ 3 multi-actor workshops have been held in the upper, middle, and low portions of the valley on how to apply the methodology proposed by the consulting firm, identifying the central elements of production, service, and environmental development for each part of the valley.</p> <p>By month 12: ✓ A plenary meeting has been held with the valley's public, private, and social actors to approve the Territorial Development Plan's Vision, Mission, Objectives, and Strategic Directions.</p> <p>By month 13: ✓ Workshop Final Report, including the approved version of the Territorial Development Plan.</p>		
<p>2.1. Promotion of supply chains with territorial identity.</p>	<p>By month 6: ✓ Work plans have been prepared for each chain (include the technical assistance needed for strengthening the three chains in terms of clustering, access to markets, and improvement of products and services).</p>	<ul style="list-style-type: none"> ✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s) ✓ Midterm and final evaluations ✓ Statistical reports on production 	<ul style="list-style-type: none"> ✓ Companies/individuals are interested in participating in new economic ventures. ✓ There are favorable supply and demand conditions for promoting new chains.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>By month 12: ✓ Consulting Fund Operating Regulations for specific studies and training services have been developed.</p> <p>By month 14: ✓ Two awards have been given for each supply and service chain as part of the first competition aimed at providing financial incentives to innovators and entrepreneurs in the valley's supply and tourism service chains.</p> <p>By month 18: ✓ There are three business plans for the apple growing, rural tourism, and black-eyed pea chains.</p> <p>By month 24: ✓ The three business plans are in operation and have increased sales by at least 15%.</p> <p>By the end of the project: ✓ The supply and tourism service chains have improved income and employment by at least 15% compared with the baseline.</p>	<p>and marketing of products for each promoted value chain</p> <p>✓ Record of participants in the training processes and business roundtables</p> <p>✓ Photographic records</p>	
<p>2.2. Strengthening of new ventures in value chains.</p>	<p>By month 18: ✓ Two additional chains to be supported by the project have been selected through consensus.</p> <p>By month 24: ✓ The annual competition has been expanded to include two additional awards for innovation and entrepreneurship among the new chains.</p> <p>By the end of the project: ✓ The number of producers and MSBs in the two chains has increased by at least 15% compared with the baseline.</p>		
<p>2.3. Facilitation of access to financial services</p>	<p>By month 9: ✓ There is a study on constraints that limit access to financial services in the valley.</p>		

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>By month 12: ✓ An informative discussion panel has been held among COFIDE, financial institutions, and 50 tourism and rural apple- and pea-growing MSBs for access to lines of credit for supply chains.</p> <p>By month 18: ✓ A COFIDE-structured financial product has been adapted to apple-growing and tourism MSBs in the middle valley.</p> <p>By month 36: ✓ 50% of the MSBs and producers' associations in the two chains have information for accessing lines of credit. ✓ 30% of the apple growing and rural tourism MSBs in the middle valley gain access to lines of credit.</p>		
<p>2.4. Business roundtables for products and services of the local value chains.</p>	<p>By month 24: ✓ Four business roundtables have been held with the apple and black-eyed pea agroindustry and tourism services chains. ✓ There are two business plans for emerging supply chains.</p>		
<p>3.1. Support for the development of public-private initiatives capable of driving sustainable investments in production.</p>	<p>By month 18: ✓ The Advisory Board has approved the criteria and procedures for supporting the design of public-private forestry, agro-forestry, and sophisticated irrigation projects.</p> <p>By month 24: ✓ The Advisory Board has awarded funds to 2 collaborative projects for their final design.</p> <p>By month 30: ✓ Two projects have been designed and are ready to be submitted for the relevant sources of financing.</p>	<ul style="list-style-type: none"> ✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s) ✓ Records of dissemination actions ✓ Midterm and final evaluations ✓ Record of projects submitted. ✓ Fund award documents 	<ul style="list-style-type: none"> ✓ Companies have a favorable attitude toward the submittal of projects for development instruments, competitions, and awards. ✓ There is counterpart funding to finance the initiatives. ✓ There is a willingness to work on changes.
<p>4.1. Development and maintenance of a monitoring system for the project's activities and outcomes (includes establishing indicators and baseline)</p>	<p>By month 4: ✓ Indicators required for monitoring have been identified. ✓ Baseline is ready. ✓ Monitoring system has been developed.</p>	<ul style="list-style-type: none"> ✓ PSRs ✓ Monitoring system reports ✓ Technical reports from the consultant(s) ✓ Records of dissemination actions 	<ul style="list-style-type: none"> ✓ The companies and/or beneficiaries offer reliable information.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>By month 6: ✓ A system has been created for recording good local economic development practices.</p> <p>During execution: ✓ The established indicators for monitoring the project's overall and specific progress have been updated every six months.</p>	<p>✓ Midterm evaluations ✓ Website</p>	
<p>4.2. Participatory systematization of the collaborative action experience in the Lurín valley.</p>	<p>By month 33: ✓ 150 individuals from the public and private sectors and civil society have participated in the systematization workshops.</p> <p>By month 36: ✓ A project systematization document has been written, published, and disseminated to local and regional government officials, the private sector, and civil society.</p>		
<p>4.3. Dissemination of the experience</p>	<p>By month 6: ✓ Website developed.</p> <p>By month 15: ✓ Promotional material developed.</p> <p>By months 24 and 30: ✓ Three dissemination processes have taken place in local and regional communications media (radio, printed press, and television).</p> <p>By month 36: ✓ Four events have been held to disseminate the public-private cooperation experience among the valley's government officials, businesspeople, communications media, and civil society. ✓ Two regional events have been held with participants in Territorial Development experiences. ✓ A national event has been held to disseminate outcomes.</p>		

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	By months 24 and 30: ✓ Three dissemination processes have taken place in local and regional communications media (radio, printed press, and television).		
4.4. Participation in external events to disseminate the project and/or gain knowledge.	By months 12, 24 and 36: ✓ Project representatives have participated in national events, cluster events, and others to disseminate the project and/or gain knowledge.		
4.5. Internships and visits to share LED experiences with actors in other regions.	By month 10: ✓ The terms of reference have been drawn up for preparing and coordinating the internship plan. By month 12: ✓ Six representatives from the valley's public and private institutions have visited a Latin American local economic development site. By month 18: ✓ Four local internships have been arranged for purposes of apprising local leaders from other regions of the project's advances.		

**TERRITORIAL DEVELOPMENT AND JOB CREATION IN THE LURÍN RIVER VALLEY, LIMA –
PE-M1057**

ITEMIZED BUDGET

Budget categories	MIF	Local contribution	TOTAL	%
C-1: Strengthening of public-private avenues for action on economic and environmental development	46,400	258,485	304,885	19.4%
Activ.-1.1: Diagnostic assessment of valley's actors and potentials.	12,400	42,460	54,860	3.5%
Activ.-1.2: Strengthening of existing areas (strengthening of Water Board)	7,000	36,400	43,400	2.8%
Activ.-1.3: Creation of new avenues for public-private collaboration for the valley's development	2,000	25,900	27,900	1.8%
Activ.-1.4: Support for the implementation of local economic development promotion agencies	13,000	92,225	105,225	6.7%
Activ.-1.5: Support for preparation of the valley's Territorial Development Plan	12,000	61,500	73,500	4.7%
C-2: Development of supply chains for access to growing markets	469,390	104,410	573,800	36.4%
Activ.-2.1: Promotion of supply chains with territorial identity	403,640	82,900	486,540	30.9%
Activ.-2.2: Strengthening of new ventures in value chains	36,350	18,690	55,040	3.5%
Activ.-2.3: Studies on constraints for the development of financial services in the valley	16,900	2,100	19,000	1.2%
Activ.-2.4: Business roundtables for local value chain products and services	12,500	720	13,220	0.8%
C-3: Promotion of competitiveness factors	54,000	41,250	95,250	6.1%
Activ.-3.1: Support for the development of public-private initiatives capable of driving sustainable investments in production	54,000	41,250	95,250	6.1%
C-4: Monitoring and dissemination of lessons learned	140,345	105,125	245,470	15.6%
Activ.-4.1 Development and maintenance of monitoring system for the project's activities and outcomes	39,000	17,080	56,080	3.6%
Activ.-4.2 Participatory systematization of the collaborative action experience in the Lurín valley	-	31,600	31,600	2.0%
Activ.-4.3 Dissemination of the experience	7,800	50,700	118,500	7.5%
Activ.-4.4 Participation in external events to gain knowledge or disseminate the project	3,945	3,945	7,890	0.5%
Activ.-4.5 Internships and visits aimed at sharing local economic development experiences with actors in other regions	29,600	1,800	31,400	2.0%
Project coordination	127,900	119,900	247,800	15.7%
Contingencies	57,065	-	57,065	3.6%
Audits	25,000	-	25,000	1.6%
Midterm and final evaluation	25,000	-	25,000	1.6%
SUBTOTAL	945,100	629,170	1,574,270	100%
<i>Percentages</i>	<i>60.0%</i>	<i>40.0%</i>	<i>100%</i>	
Impact Evaluation System Account	4,900	-	4,900	
Activities of the "Promotion of Local Competitiveness" project cluster	30,000	-	30,000	
TOTAL	980,000	629,170	1,609,170	
<i>Percentages</i>	<i>60.9%</i>	<i>39.1%</i>	<i>100%</i>	