



<b>1. Project Data :</b>
<b>OEDID:</b> L3684
<b>Project ID:</b> P008062
<b>Project Name:</b> Social Development and Compensation Fund
<b>Country:</b> Peru
<b>Sector:</b> Social Assistance
<b>L/C Number:</b> L3684
<b>Partners involved :</b> IDB, KfW/GTZ, bilateral donors
<b>Prepared by :</b> Soniya Carvalho, OEDST
<b>Reviewed by :</b> Jock Anderson, OEDST
<b>Group Manager :</b> Roger H. Slade
<b>Date Posted :</b> 08/13/1998

**2. Project Objectives, Financing, Costs and Components :**  
 The primary objectives of the project were to assist the borrower to : (a) sustain its poverty alleviation efforts; (b) mitigate the social costs of its macroeconomic adjustment; and (c) strengthen the institutional capabilities of FONCODES. The secondary objectives of the project were to : (d) generate employment opportunities and improve access to social services; (e) promote strong self-reliant community organizations; and (f) maximize support from other potential donors. At appraisal, total project costs were estimated at US \$495 million equivalent, of which US \$100 million were to be financed by IBRD with the balance to be financed by the Government of Peru, beneficiaries, IDB, and other donors. The project included two core components : (i) Poverty Alleviation component which aimed at supporting FONCODES' poverty alleviation efforts through the execution of community -based subprojects (representing 95.5 percent of project costs); and (ii) FONCODES Institutional Strengthening component which aimed at improving the institutional capabilities of FONCODES (4.5 percent of project costs).

**3. Achievement of Relevant Objectives :**  
 The project achieved its objectives under a difficult overall country environment .

**4. Significant Achievements :**

- \* Supported construction and/or rehabilitation of basic social and economic infrastructure (including 2000 primary schools, 1300 water and sewerage systems, 340 rural roads, and 300 irrigation systems). According to the 1996 Living Standards Measurement Survey, 40 percent of improvements in infrastructure and services in poor rural communities during the previous four years had been financed by FONCODES (The project had been ongoing prior to Bank involvement in 1994).
- \* Targeted investments successfully to poor and remote areas .
- \* Fostered community participation in infrastructure provision through "nucleo ejecutors" (comprising elected community representatives).
- \* Created short-term employment opportunities.
- \* Developed FONCODES into an efficient and professional organization .

**5. Significant Shortcomings :**

- \* Lack of a vision of the service delivery role of FONCODES vis -a-vis that of line ministries.
- \* Inadequate sectoral coordination and inconsistencies in approach with sector projects .
- \* Inadequate attention to sustainability conditions (e.g., O&M training, enforcing handover agreements, coordination with local government).

<b>6. Ratings:</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Highly Satisfactory	Satisfactory	The project is rated "satisfactory" in light of an unclear vision of FONCODES's role vis-a-vis line ministries, issues related to sectoral coordination, and uncertain

			sustainability. It is noted that the project had some "highly satisfactory" elements, notably, targeting the poor, fostering community participation, and achieving immediate results in a difficult overall country environment.
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Uncertain	The presented evidence is not convincing enough to believe that the sustainability of the subprojects financed through this (first) project is guaranteed. Improvements in design in the follow-on project may result in more sustainable future investments.
<b>Bank Performance :</b>	Highly Satisfactory	Highly Satisfactory	
<b>Borrower Perf .:</b>	Highly Satisfactory	Highly Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

### 7. Lessons of Broad Applicability :

- \* A multi-criteria targeting system combined with a judicious use of demand -orientation mechanisms including outreach, and regular monitoring of targeting outcomes can ensure that resources are well -targeted to the poor.
- \* Frequent Beneficiary Assessments and a sound MIS have a useful role as management tools in addition to serving as monitoring tools.
- \* Clarity about the responsibilities of the Social Fund compared with those of other institutions traditionally charged with service delivery needs to be ensured up front .
- \* Sustainability conditions should be incorporated in project design early on . Key sustainability conditions include : sectoral coordination within the Bank and in -country; clarity in ownership rules which are then enforced; training in O&M; and financial provisions to cover O&M.

### 8. Audit Recommended? Yes No

**Why?** The project included several innovations (e.g., "nucleo ejecutors", targeting system, MIS). Lessons of experience will prove useful for other projects with similar objectives . It is recommended that the audit cover this project as well as relevant parts of the ongoing second project in order to be able to capture lessons from the project's evolution in addition to those from past experience .

### 9. Comments on Quality of ICR :

Well-written.