



1. Project Data

Project ID P148499	Project Name Dedicated Grant Mechanism in Peru	
Country Peru	Practice Area(Lead) Environment, Natural Resources & the Blue Economy	
L/C/TF Number(s) TF-A0457	Closing Date (Original) 01-Mar-2021	Total Project Cost (USD) 5,473,764.72
Bank Approval Date 11-Sep-2015	Closing Date (Actual) 25-Jun-2021	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	5,500,000.00	5,500,000.00
Revised Commitment	5,473,764.72	5,473,764.72
Actual	5,473,764.72	5,473,764.72

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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) of the project is "**to support indigenous peoples in Selected Communities in the Peruvian Amazon in their efforts to improve their sustainable forest management practices**" (Grant Agreement dated September 24, 2015, Schedule 1, page 5). The formulation of the objective is identical to that in the PAD (page iii). The PDO remained unchanged during implementation (ICR, para 19).



b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

24-Mar-2020

c. Will a split evaluation be undertaken?

Yes

d. Components

Component 1: Native land titling in the Amazon (Estimate: US\$2.61 million, Actual: US\$1.95 million, 75 percent of the estimate) intended to register titles of lands owned by the indigenous peoples and native communities (IPNCs) under the national legal framework.

Subcomponent 1.1: Recognition and registration intended to support the IPNCs to be recognized as formal legal entities by the National Registry of Native Communities, by providing technical and legal assistance and implementing subprojects related to recognition of native communities. During implementation, subgrants related to recognition of native communities were cancelled from the third call of proposals, due to the mobility restrictions associated with health emergency under the COVID-19 pandemic (ICR, para 40).

Subcomponent 1.2: Demarcation and titling intended to establish the geographic locations and physical boundaries for native communities' lands and formally register their titles, by providing technical and legal assistance to the IPNCs, implementing subprojects on land titling, and providing financial assistance to the Regional Agricultural Office to conduct land titling activities.

Component 2: Indigenous forest management (Estimate: US\$1.60 million, Actual: US\$1.57 million, 98 percent of the estimate) implemented community-based subprojects to enhance sustainable forest management and improve food security and income generation in eight regions (Loreto, Ucayali, San Martín, Junín, Pasco, Ayacucho, Huánuco, and Cusco) (PAD, para 18). Component 2 started with implementing subprojects related to food security and agroforestry, then expanded its coverage to pilot subprojects on sustainable timber production.

Component 3: Governance and sustainability (Estimate: US\$1.29 million, Actual: US\$1.94 million, 150 percent of the estimate) provided the project intermediaries with support for technical and fiduciary management of the project, as well as the establishment and operation of a grievance redress mechanism and a communication strategy to inform native communities about the project. During implementation, new activities were added to component 3 in response of the COVID-19 pandemic to incorporate health and safety measures into implementation procedure of subprojects under component 2.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates



Project Cost: At appraisal, the project was estimated to cost US\$5.50 million (PAD, para 21). At project closing, the actual cost was US\$5.47 million (ICR, page 47).

Financing: As envisioned at appraisal (PAD, para 21), the project was fully financed by a grant from the Strategic Climate Fund (ICR, page 2).

Dates: The project was approved on September 11, 2015 and became effective on November 26, 2015. The Mid-Term Review was completed on September 24, 2018. The project was closed on June 25, 2021, which was about four months after the original closing date of March 1, 2021.

There were four restructurings: the first (March 24, 2020), the second (August 27, 2020), the third (February 4, 2021), and the fourth (May 7, 2021). The first and second restructurings revised the results framework, modified components and cost, and reallocated funds between disbursement categories. The targets of PDO indicators 1, 2, and 4 related to native land titling were decreased because subgrants for recognition of native communities under subcomponent 1.1 were canceled (ICR, para 40) (see section 9 for details). The target of PDO indicator 5 on food security and income generating subprojects was increased because these subprojects responded to demands of native communities with lower implementation costs (ICR, para 20). The first restructuring reallocated US\$17,000 from component 2 to component 3 to cover additional consultancy fees and travel expenses to engage native communities and regional governments in project activities. The second restructuring reallocated US\$ 680,000 from the cancelled activities under subcomponent 1.1 to component 3 to finance new activities to comply with biosafety protocols, including procuring and distributing equipment and materials for personal hygiene and communication and establishing sanitary protocols for subproject implementation under the COVID-19 pandemic (ICR, para 23).

IEG concurs with the ICR (para 63) that a split rating is required. The targets of PDO indicators 1, 2, and 4 were scaled down at the restructurings in March and August 2020 due to the cancellation of subgrants for legal recognition of native communities caused by the insufficient technical and human capacity of the Regional Agrarian Offices and the mobility restrictions under the COVID-19 pandemic (ICR, paras 20 and 27). The scaling down resulted in reducing the scope of the project; because the recognition of native communities was a prerequisite for obtaining land tenure, which was essential for gaining access to capital, credit, permits, and existing forest management initiatives (ICR, para 9 and 15).

3. Relevance of Objectives

Rationale

Country and Sector Context: The Peruvian Amazon covers 73 million hectares (nearly 61 percent) of the whole country; however, only approximately 15 million hectares (or 20 percent) are either owned or managed by native communities (ICR, para 1). About 2,250 indigenous communities resides in the Amazon region (ICR, para 1). High deforestation rates, which are associated with migration to untitled lands, agricultural expansion, and unregulated logging, have threatened biodiversity and livelihoods of local communities in Peru (ICR, para 2). On average, over 134,000 hectares of forest cover were lost annually between 2005 and 2015 (ICR, para 2). Moreover, 45 percent of this deforestation has taken place on lands with no legal status from 2001 to 2014, while territorial reserves including titled indigenous lands and natural protected areas accounted for 16.5 percent and 3.5 percent of deforestation, respectively (ICR, para



2). Peru has a relatively strong legal framework regarding the rights of indigenous people that completed titling of 6,453 native and campesino communities between 1921 and 2015 (ICR, para 3). Prior to the project, the lack of political will and low capacity including limited resources had been slowing down the titling process of the remaining native communities (1,166 at appraisal) (ICR, para 3). Some titled communities still faced challenges including being confined to areas that were too small to support their traditional farming methods and limited access to technical and financing support to develop their own sustainable productive activities (ICR, para 4). Facing these challenges, some native communities decided to lease part of their lands to non-indigenous farmers and loggers, contributing to an acceleration of deforestation (ICR, para 4). To address the complex issues around the land tenure and deforestation, the project took an innovative approach to combine critical interventions to support indigenous communities to improve sustainable forest management practices, namely, legal recognition of indigenous communities, titling of native land, and support to sustainable productive activities (ICR, para 8).

Relevance to Government Strategies: At appraisal, the PDO was in line with Peru's Forest Investment Plan (FIP) that was endorsed in 2013 with an aim to catalyze policies and mobilize funds to address deforestation and forest degradation, with a view to promoting more sustainable forest management, thus leading to reduced emissions and enhanced conservation of forest carbon stocks and contributing to Reducing Emissions from Deforestation and Forest Degradation (REDD+) goals (ICR, para 5). Under the FIP, the global Dedicated Grant Mechanism (DGM) serves as a special window to support initiatives by indigenous peoples and local communities in FIP pilot countries (ICR, para 6). In addition, the project was in line with the Bicentenary Plan: Peru towards 2021, which was published in 2010, to present a strategic line on natural resources and environment, including priority actions on sustainable forest management, climate change mitigation, and special attention to indigenous peoples and local communities (ICR, para 32). At project closing, the PDO was relevant to the National Strategy for Forests and Climate Change published in 2016, which aimed to (i) promote community-based forest management, aligned with the development vision stated in each community's life plan and (ii) complete the pending land titling of native communities (ICR, para 32).

Relevance to Bank Assistance Strategies: At appraisal, the PDO was aligned with the Country Partnership Strategy FY12-16, which focused on addressing climate change by strengthening institutional and technical capacity at different decision-making levels and promoting more inclusive growth (PAD, para 10). The project was expected to support climate change mitigation by investing in legal protection and recognition, land tenure security, and the capacity building necessary to empower the communities living in and caring for the forests in the Peruvian Amazon (PAD, para 11). At project closing, the PDO was aligned with the Country Partnership Framework (CPF) FY17-21. The project was directly associated with a CPF objective indicator on the coverage of native community lands titled in high threat areas for Objective 8 (Strengthen the management of natural resources) under Pillar 3 (Natural Resource and Climate Change Risk Management) (CPF, page 44). The CPF reiterated the higher poverty rate among indigenous peoples and native communities compared to the national average and alerted that increasing threats to the forests and food security due to climate change might widen the gap and reduce the likelihood of inclusive growth (ICR, para 33).

Prior Sector Experience: The project design team benefited from reviews of several previous World Bank operations in Peru and Brazil, including lessons from the Indigenous and Afro-Peruvian Peoples Development Project (P060499), the Brazil Indigenous Lands Project (P006567), and the Special Program for Land Titling and Rural Cadaster (PETT I and II Projects) (PAD, paras 22-23). In prior investment operations, the World Bank provided technical assistance to both the National Steering Committee led by



indigenous peoples and native communities and the non-governmental National Executing Agency (the World Wildlife Fund Peru) to implement project activities (ICR, para 7).

In summary, the PDO was aligned with the strategies of the government and the World Bank's assistance both at appraisal and project closing. Overall, the relevance of the objective is rated high.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Support indigenous peoples in Selected Communities in the Peruvian Amazon in their efforts to improve their sustainable forest management practices

Rationale

Theory of Change(TOC): While the project's TOC described the project's how the inputs/outputs led to outcomes and longer-term impacts, these long-term outcomes were not reflected to the PDO statement and the sustainability aspect was not defined in the results framework, as described in section 9.a. The theory of change of the project envisioned that activities including providing technical and legal assistance and subgrants for (i) legal recognition of indigenous peoples and native communities, (ii) demarcation and titling of their lands, and (iii) small-scale community-based productive activities related to food security and income generation (mainly agroforestry, tourism, crafts, and pisciculture) and formalization of associations would result in outputs including recognition of native communities, demarcation and titling of native lands, and implementation of productive activities by native communities based on sustainable forest management practices, contributing to outcomes including improvements in sustainable forest management practices of indigenous communities. In the long-term, the outcomes were expected to contribute to impacts including reductions in deforestation and associated greenhouse gas emissions as well as improvements in the livelihoods and conservations of lifestyles of native communities in the Peruvian Amazon.

Critical assumptions were ambitiously set, as follows: (i) land tenure insecurity, particularly in the native lands, was a key driver of deforestation; (ii) with a formal land title, native communities would gain access to capital, credit, permits, and existing forest management initiatives that require land tenure as a prerequisite for eligibility; (iii) with technical and financial support, titled native communities would develop their own productive activities to address poverty and food insecurity issues and refrain from leasing their land for non-indigenous farmers and loggers; and (iv) leaders and members of indigenous peoples and native communities were willing to actively participate in forest conservation and climate change mitigation.

The PDO indicators were mainly output oriented (see section 9.a. for details).



Outputs (ICR, paras 38-53 and Annex 1):

- Direct project beneficiaries reached 29,017 people, not meeting the original target of 48,100 people. Female beneficiaries were 54 percent of the total project beneficiaries, meeting the original target of 50 percent.
- 100 percent of intended beneficiaries were aware of project information and investments, exceeding the original target of 75 percent. The ratio of female beneficiaries out of the total intended beneficiaries who were aware of project information and investments was 49 percent, not meeting the original target of 75 percent.
- 100 percent of registered grievances related to delivery of project benefits were addressed, meeting the original target of 100 percent.
- 5,349 people were directly employed or benefitting from food security and income generation subprojects, reaching more than six times of the original target of 820 people.

Outcomes (ICR, paras 38-53 and Annex 1):

- 253 native communities were recognized and registered with the National Superintendent of Public Registries, not meeting the original target of 310 native communities (82 percent of the original target).
- 39 native communities had their land demarcated, titled and registered with the National Superintendent of Public Registries, not meeting the original target of 130 native communities (30 percent of the original target).
- 5 native communities were with sustainable timber projects operating, meeting the original target of 5 native communities (100 percent of the original target). The native communities developed the management declarations required by the national regulation, adopted good practices for harvesting timber with reduced environmental impact, and generated an average of US\$ 323 per direct beneficiary within two months (ICR, para 48).
- 231,604 hectares of native community land were titled in high threat areas, not meeting the original target of 780,000 hectares (30 percent of the original target).
- 119 native communities were with food security and income generating projects, exceeding the original target of 70 native communities (170 percent of the original target). Most sub-projects reports indicate an increased production through sustainable forest management practices (ICR, para 49). In addition, beneficiaries started to increase added value of their products and gradually transform from primary producers to tertiary producers through the subprojects, which would potentially increase the profit margin of the agroforestry activities (ICR, para 49). The potential sustainability of the subprojects under component 2 were shown by the success factors identified by the National Executing Agency and the World Bank's task team including increases in productivity of agricultural and aquacultural products, increases in incomes from tourism activities, and enhancements in commercialization of the sustainable timber products (ICR, paras 57-59). As reported by the Subproject Executing Organizations and beneficiaries themselves, the selected communities were enthusiastic about the project development, which contributed to project sustainability in the long term (ICR, para 59 and Annex 8).

Of the five PDO indicators, two indicators related to food security and income generating subprojects were met or exceeded. On the other hand, three indicators related to legal recognition of indigenous communities and titling of native land were not met, in particular, two PDO indicators related to native land titling



achieved only about 30 percent of the original targets. Overall, the achievement of original objective is rated modest due to low achievement.

Rating
Modest

OBJECTIVE 1 REVISION 1

Revised Objective

Support indigenous peoples in Selected Communities in the Peruvian Amazon in their efforts to improve their sustainable forest management practices

The original objective did not change but the targets of PDO indicators were revised at the first and second restructurings. As a result, the ambition of the objective was also reduced. The key indicator changes were:

- The target of PDO indicator 1 (native communities recognized and registered) was decreased from 310 to 250 to be in line with the canceled subgrants to native communities which had not started field work for registration process by May 2020 (ICR, para 20).
- The target of PDO indicator 2 (native communities which had their land demarcated, titled and registered [PAD, Annex 2, page 25]) was decreased from 130 to 38, and complemented with a breakdown of targets for native communities which had their land ownership title issued by the Regional Agricultural Office, but were waiting titling and the formal title registration by the National Superintendent of Public Registries (58 communities) (ICR, para 20).
- The target of PDO indicator 4 (coverage of native community titled lands in high-threat areas) was decreased to 256,700 hectares, reflecting the total area of those 58 native communities (ICR, para 21).
- The target of PDO indicator 5 (food security and income generating subprojects) was increased from 70 to 100 because these types of subprojects attracted higher demands of native communities and were able to be implemented with lower costs (ICR, para 20).

Revised Rationale

The original theory of change was not affected by the changes in the PDO indicator targets.

Outputs (ICR, paras 38-53 and Annex 1):

- Direct project beneficiaries reached 29,017 people, not meeting the original target of 48,100 people. Female beneficiaries were 54 percent of the total project beneficiaries, meeting the original target of 50 percent.
- 100 percent of intended beneficiaries were aware of project information and investments, exceeding the original target of 75 percent. The ratio of female beneficiaries out of the total intended beneficiaries who were aware of project information and investments was 49 percent, meeting the revised target of 37 percent.
- 100 percent of registered grievances related to delivery of project benefits were addressed, meeting the original target of 100 percent.



- 5,349 people were directly employed or benefitting from food security and income generation subprojects, reaching more than three times of the revised target of 1,700 people.

Outcomes (ICR, paras 38-53 and Annex 1):

- 253 native communities were recognized and registered with the National Superintendent of Public Registries, meeting the revised target of 250 native communities. The project supported 27 percent of the total 989 native communities that the government had recognized since 2001 (ICR, para 41). During implementation, this project was the sole source of financing that supported the recognition and registration of native communities in the country (ICR, para 41). As a result of the recognition, these native communities became fully entitled to the rights and guarantees envisaged in the legal framework for indigenous peoples and native communities, including the legal status required to formally claim their native land titles (ICR, para 39). The project suggested the Ministry of Agrarian Development and Irrigation to adopt a harmonized guidelines for the recognition and registration procedures (ICR, para 41).
- 39 native communities registered land titles with the National Superintendent of Public Registries, meeting the revised target of 38 native communities. During implementation, the project collaborated with the Ministry of Agrarian Development and Irrigation to establish more precise procedures for the titling process, in particular for implementation of the agrological assessment, operationalization of the new registry system for rural properties, creation of the registry system for peasant and indigenous communities and the corresponding users' manuals, and implementation procedures for measurement adjustments of permanent production forests (ICR, para 44). Those were important milestones to support the indigenous peoples and native communities to advance recognition and land titling registration processes between 2016 and 2018, as well as to benefit individuals and communities beyond the project beneficiaries (ICR, para 44).
- 60 native communities had their land ownership title issued by the Regional Agricultural Office, but were waiting titling and the formal title registration by the National Superintendent of Public Registries, being increased from the baseline of 23 native communities and meeting the revised target of 58 native communities. Additionally, another 37 communities completed the field work needed for their land titling processes with the project support, expected to be titled in 2022 (ICR, para 43).
- 5 native communities were with sustainable timber projects operating, meeting the original target of 5 native communities. The native communities developed the management declarations required by the national regulation, adopted good practices for harvesting timber with reduced environmental impact, and generated an average of US\$ 323 per direct beneficiary within two months (ICR, para 48).
- 231,604 hectares of native community land were titled in high threat areas, not meeting the revised target of 256,000 hectares.
- 119 native communities were with food security and income generating projects, meeting the revised target of 100 native communities. Most sub-projects reports indicate an increased production through sustainable forest management practices (ICR, para 49). In addition, beneficiaries started to increase added value of their products and gradually transform from primary producers to tertiary producers through the subprojects, which would potentially increase the profit margin of the agroforestry activities (ICR, para 49). The sustainability of the subprojects under component 2 were strongly believed by the National Executing Agency and the World Bank's task team based on the success factors identified including increases in productivity of agricultural and aquacultural products, increases in incomes from tourism activities, and enhancements in commercialization of the sustainable timber products (ICR, paras 57-59). As reported by the Subproject



Executing Organizations and beneficiaries themselves, the selected communities were enthusiastic about the project development, which contributed to project sustainability in the long term (ICR, para 59 and Annex 8).

In addition to the results measured by the results framework, the ICR reported the following outcomes, which did not have any formal targets.

- The average annual deforestation rate in the titled native communities supported by the project (0.10 percent) was lower than that in lands without assigned rights (0.17 percent) from 2001 to 2020 (ICR, para 45). In 2014 and 2020, deforestation increased significantly more in the lands without assigned rights. In 2014, the increase was associated with the expansion on palm oil plantations in lands without assigned rights, a practice that is constantly condemned by indigenous organizations (Meeting with the project task team, hereafter, the project task team meeting). In 2020, when most communities were titled, the sharply increase in deforestation in lands without assigned rights was associated with the pandemic, which caused many families in the lands without assigned rights to practice illegal logging for extra cash (the project task team meeting). According to the project task team, the project's interventions may have contributed to keep the deforestation rates low in native communities when there were sharp increases in deforestation rates in the lands without assigned rights (the project task team meeting). IEG concurs with the ICR team that an assessment with a longer series of data would be necessary to assess the deforestation processes in the project targeted areas (ICR, para 45).
- Female direct beneficiaries' improved incomes and greater participations in decision makings in associations and communities were observed, according to the technical reports from subprojects and the case study developed by the Global Dedicated Grant Mechanism (ICR, para 67). The Project promoted the important role of indigenous women in sustainable forestry management by allocating US\$500,000 for subprojects proposed and/or primarily managed by women (ICR, para 17). IEG concurs with the ICR (para 67) that an in-depth assessment to analyze potential ripple effects to the other communities beyond the direct beneficiaries would be necessary to assess the project's contribution in gender aspects.

Of the five PDO indicators, four indicators and the sub-PDO indicator for PDO indicator 2 fully met the revised targets. The native community's engagements in food security and income generating activities implied possibilities that these activities might be sustained after project closing. On the other hand, the realism is weak for critical assumption (ii), which assumed that gaining a formal land title would immediately enable native communities to access capital, credit, permits, and existing forest management initiatives that require land tenure as a prerequisite for eligibility in the theory of change in the section for achievement of the original objective (ICR, para 9). It was an ambitious assumption involving multiple unpredictable factors including the capacity and willingness of native communities to access those resources and the readiness of the resources to be available for them in a timely manner upon requests. Evidence was lacking related to how the native land titling resulted in actual sustainable forest management practices to conserve or protect forests. Moreover, longer periods of data would be required to assess to what extent native land titling could contribute to keep deforestation rates in the project target areas lower than the other areas in the same districts, as described in the last paragraph. Overall, the achievement of original objective is rated substantial but marginally due to limited evidence to support the credibility of critical assumption (ii) and the attributability of the project to changes in deforestation rates.

Revised Rating



Substantial

OVERALL EFFICACY

Rationale

The original objective is rated modest due to low achievement.

Overall Efficacy Rating

Modest

Primary Reason

Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale

After the restructurings, the objective with the revised PDO indicators is rated substantial. Because the project's scope was downscaled with the revised indicators, a split rating was applied to assess the outcome rating (see section 6).

Overall Efficacy Revision 1 Rating

Substantial

5. Efficiency

Economic Analysis: At appraisal, no internal rate of return was presented in the PAD. An economic analysis was conducted as part of the "Social and Cultural Assessment and Guidelines for the Operations Manual," which estimated the indirect and direct costs of recognition and titling processes but did not quantify the expected benefits through the recognition and titling subprojects, the community-based productive subprojects, and the decreased deforestation in targeted areas and narrowed gender gaps related to access to training, natural and financial assets, and participation and leadership (ICR, para 54). At project closing, no internal rate of return was calculated through a classic economic and financial analysis due to the limited quantitative data related to the project benefits (ICR, para 55). The actual monetary and non-monetary benefits of the project were summarized in Table 2, page 26 in the ICR, showing that the actual achievements met the expectation at appraisal. Regarding cost effectiveness, the community recognition and land titling under this project costed on average US\$3,000 and US\$12,000 per community, respectively, which were significantly lower than those that were implemented through consultancy firms (ICR, Annex 4, page 51). As a comparison, it costed approximately US\$43,800 per community to complete land titling under the third phase of the Rural Land Titling and Registration Project financed by the Inter-American Development Bank (ICR, Annex 4, page 51).

Aspects of design and implementation that affected efficiency: Implementation delays were largely due to factors external to the project such as the COVID-19 pandemic, multiple national and regional elections, and bottlenecks in land titling processes. The land titling processes were delayed due to low commitments and



insufficient technical and human capacity in the Regional Agrarian Offices (ICR, para 27). The efforts to accelerating the land titling activities were prohibited by the travel restrictions during the COVID-19 pandemic (ICR, para 27), resulting in the actual expenditure for the project to be less than the estimate because funds were needed to be allocated from component 1 to 3 (ICR, para 61).

The project was cost effective to conduct the recognition and land titling subprojects, compared to a similar project funded by the Inter-American Development Bank. Though the project benefits were not quantified, the monetary and non-monetary benefits from the project at project closing sufficed the expected benefits at appraisal. Overall, the efficiency is rated substantial.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Rating Dimension	Original targets without restructuring	Revised targets with restructuring
Relevance of Objectives	High	
Efficacy	Modest	Substantial
Efficiency	Substantial	
Outcome Rating	Moderately Unsatisfactory	Satisfactory
Outcome Rating Value	3	5
Amount Disbursed (US\$ million)	3.85	1.62
Disbursement (%)	70	30
Weight Value	3*0.7 = 2.1	5*0.3 = 1.5
Overall Outcome Rating	Moderately Satisfactory (2.1 + 1.5 = 3.6, rounding this to the nearest whole number, 4)	

a. **Outcome Rating**
Moderately Satisfactory



7. Risk to Development Outcome

Financial risk: There is a potential risk that limited availability of funds might prevent expanding productive activities by native communities, as well as completing remaining land titling process for the 37 communities that completed up to the field work (ICR, para 43). To prevent the risk, the closing reports of subprojects under component 2 indicated plans to seek additional funds to expand its productive activities; for example, by reinvesting part of profits in the association, applying to public programs, and cooperating with national and international non-governmental organizations (ICR, para 96). Moreover, the National Steering Committee and the National Executing Agency started to identify funding to expand the project activities beyond the project target areas, especially to cover those communities whose subprojects were cancelled due to the COVID-19 pandemic (ICR, para 96). Furthermore, the National Steering Committee and the National Executing Agency committed to continue following up with the 37 communities after project closing (ICR, para 43).

Social risk: A high level of risk was noted at appraisal that non-indigenous inhabitants in the targeted regions (*campesinos*, *ribereños* and *colonos*) would be unhappy to learn that they were not eligible for benefiting under the project (PAD, Annex 4, page 41). To mitigate the risk, a social communication plan was implemented with an aim to inform them other sources of financing that they were eligible to access for titling lands (PAD, Annex 4, page 41). On the other hand, limited implementation of the communication plan was reported during implementation (ICR, para 87). The remaining recognition and land titling activities might not be smoothly completed if expectations of both indigenous and non-indigenous inhabitants in target areas were not adequately managed.

8. Assessment of Bank Performance

a. Quality-at-Entry

The strategic relevance and approach were high and closely aligned with the strategic priorities of the government and the World Bank's assistance, as described in section 3. Technical and environmental and social aspects were well considered during the extensive preparation period. The component design to provide indigenous peoples and native communities a leading role to design and implement subprojects was effective to engage the target communities and improve cost effectiveness of the recognition and land titling subprojects, as described in section 5. The risk assessment was solid; however, the implementation risk was not adequately mitigated. The PAD pointed out implementation risk associated with the National Executing Agency, which was a non-indigenous non-governmental organization with limited experience working with the World Bank (PAD, Annex 4, page 41). This risk was not fully mitigated by the originally planned mitigation measures including involving them into the appraisal mission and the preparation of the operation manual (PAD, Annex 4, page 41). Engaging the government institutions responsible for land titling was inadequate, resulting in the low political will and budget to strengthen the technical and human capacity of the Regional Agrarian Offices to process land titling applications that were increased by this project (ICR, para 27). The project design did not adequately plan for strengthening capacity of the National Executing Agency on M&E and fiduciary management throughout the implementation, resulting in implementation issues described in sections 9.a. and 10. b. Moreover, some preparation challenges remained after appraisal and negatively affected



implementation, including (i) high expectations from beneficiaries and limited data to set a realistic target for land titling, (ii) limited guidance in the operations manual to set the subproject-level indicators (i.e., quantitative data to measure subproject outcomes), and (iii) lack of a centralized, detailed M&E database to improve data collection, processing, and analysis (ICR, para 93). Overall, the quality at entry is rated moderately satisfactory.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

Supervision inputs and processes were adequate in general based on the review of the National Executing Agency's closing report, project records, and testimonials provided by project participants (ICR, para 94). The World Bank conducted a total of ten missions in almost every six months, in addition to regular communication with counterparts to track progress and support achievements of the indicators in the results framework (ICR, para 94). The takeover period of the role of task team leader lasted for some months to ensure a smooth transition (ICR, para 94). Supervision for environmental and social safeguards was adequate in general, by providing two training sessions to the National Executing Agency at preparation and after the Mid-Term Review on top of the regular guidance and reviewing the detailed safeguards report including all the subprojects that was submitted by the National Executing Agency in July 2020 (ICR, para 88). The candor and quality of performance reporting improved after the Mid-Term Review, starting to describe the implementation challenges related to financial management and land titling together with progresses in counterplans (ISRs No.7 and 8). The World Bank's supervision team was also flexible to suggest the National Executing Agency with an alternative procurement method in compliance with the World Bank policies and the project period extension when the bidding issue was reported, as described in section 10.b. On the other hand, the weaknesses in project design related to M&E and fiduciary management were not adequately corrected during supervision in a proactive manner. Providing additional training on fiduciary policies was not fully sufficient to address the lack of experience and turnover of financial management staff at the National Executing Agency (ICR, para 94). Moreover, the focus on development impact was not strong because the World Bank relied on data provided by sample groups or the National Executing Agency without triangulating the data with other sources (ICR, para 94). Overall, the quality of supervision is rated moderately satisfactory.

The quality of the World Bank's performance, thus, is rated moderately satisfactory, based on moderately satisfactory ratings both at entry and during supervision.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory



9. M&E Design, Implementation, & Utilization

a. M&E Design

While a theory of change was prepared by the PAD (para 11) describing the project inputs/outputs leading to outcomes including its potential impact on environment and people's lives such as reductions in deforestation, greenhouse gas emissions, and poverty among indigenous people and native communities in the Peruvian Amazon, the PDO statement did not clearly specify which sustainable forest management practices were targeted and how these were expected to be improved. In addition, the impacts that were envisioned to be achieved with the project's contribution were not reflected to the PDO statement and the results framework. Though the impacts would be expected to be observed beyond the project duration, tracking them in the results framework is an important aspect of a successful development operation. Most of the indicators were measurable except for the intermediate results indicator on intended beneficiaries who were aware of project information and agreed with project investments, for which no data collection methods were specified in the PAD and the operations manual (ICR, para 79). Moreover, the PDO indicators were in general output oriented. Data on increased food security, income, and capacity, as well as sustainability was not measured by indicators, resulting in insufficient quantitative data to measure the subproject outcomes (ICR, para 55). The original targets of the PDO indicators related to land titling were set excessively high, being influenced by the assumptions from the study of territorial demands of native communities and the high expectations of native communities (ICR, para 79).

The M&E arrangements included the Global Executing Agency of the Dedicated Grant Mechanism, Conservation International, to monitor and share results of high-level indicators for the whole Dedicated Grant Mechanism program (ICR, para 80). Furthermore, the M&E system and arrangements were not well-embedded institutionally in terms of data collection and analysis. The National Executing Agency, which was responsible for M&E, relied on the Subproject Executing Organizations and the technical advisors hired by the project to collect data from native communities through in-person meetings, which was suspended for several months at the critical period of project implementation due to the COVID-19 pandemic (ICR, para 81). No M&E database to integrate data on different types of subprojects was designed at appraisal, which resulted in gaps and inconsistencies in data stored in multiple Excel workbooks and reports (ICR, para 81).

b. M&E Implementation

The weaknesses in M&E design were partially addressed at restructurings. Targets of PDO indicators were increased or decreased based on the reallocation of funds among components. The target of PDO indicator 1 (native communities recognized and registered) was decreased from 310 to 250 to be in line with the canceled subgrants to native communities which had not started field work for registration process by May 2020 (ICR, para 20). The target of PDO indicator 2 (native communities demarcated and title registered) was decreased 130 to 96, and complemented with a breakdown of targets for native communities which had completed registration of land titles (38 communities) and for native communities which were in the middle of titling and registration process (58 communities) (ICR, para 20). The target of PDO indicator 4 (coverage of native community titled lands in high-threat areas) was decreased to 256,700 hectares, reflecting the total area of those 58 native communities (ICR, para 21). The target of PDO indicator 5 (food security and income generating subprojects) was increased from 70 to 100 because these types of subprojects under component 2 were in high demands and able to be implemented with lower costs (ICR, para 20). On the other hand, a part of the reported data was not



found to be reliable. The lack of specificity in data collection methods for the intermediate results indicator on native communities' awareness and agreement to investments was not formally corrected, resulting in an inconsistency between the National Executing Agency's perception on achievements and the reported number. Because of difficulties in aggregating all the participants in dissemination events at the community level and the Subproject Executing Organizations level, the National Executing Agency assumed that 100 percent of subgrant beneficiaries agreed with the proposed investments (ICR, para 82). The assumption was not reflected in their report which indicated that the project achieved exactly the same values as the targets (75 percent of total beneficiaries and 37 percent of female beneficiaries agreed) (ICR, para 82). No technical audit was conducted to directly analyze the technical results reported by the subprojects (ICR, para 94). Moreover, the project's beneficiary database was not completed until the ICR stage (June 2021), resulting in an inaccurate reporting of the intermediate results indicator on the number of people directly employed or benefiting from food security and income generation sub-projects (ICR, para 82). The M&E functions and processes were not likely to be sustained after project closing because the National Executing Agency depended on external sources to collect data and develop the M&E database for subprojects.

c. M&E Utilization

The M&E findings were communicated to the various stakeholders to inform planning and decision-making, including the restructurings. The monitoring data was essential to: (i) revise the targets of the PDO indicators and reallocate funds across the components; (ii) develop the harmonized procedures for native community recognition and land titling advocate for and design in cooperation with the government; (iii) introduce measures to increase women to submit proposals for subgrants; and (iv) plan subsequent interventions under the Dedicated Grant Mechanism among the government, non-governmental organizations, and other development institutions (ICR, para 82). On the other hand, the M&E data measured by the results framework provided limited evidence on outcomes because the PDO indicators were focused on outputs. The supplemental data on deforestation rates was provided in the ICR (Graph 1, page 20), but a longer series of data would be needed to assess achievements of outcomes (ICR, para 45).

The shortcomings in the M&E design were partially addressed during M&E implementation. The gaps and inconsistencies in M&E data were reconciled at project closing, which limited the M&E utilization. Overall, the M&E quality is rated modest.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

Environmental safeguards: The project was classified to Category B and triggered the following environmental safeguard policies: OP/BP 4.01 Environmental Assessment, OP/BP 4.04 Natural Habitats, OP/BP 4.36 Forests, OP 4.09 Pest Management, OP 4.11 Physical Cultural Resources, and OP/BP 7.50 International Waterways. The Environmental and Social Management Framework (ESMF) was developed



and disclosed in March 2015, ensuring to apply environmental and social safeguards policies to all subprojects with focus higher risk activities including forestry management, production, and processing (ICR, para 85). Based on the ESMF during preparation, communities whose territories overlapped with the limits or buffer zones of natural protected areas were excluded from the project activities. At restructurings, no safeguards were added or dropped (ICR, para 85). Because the project activities to acquire and distribute personal protective equipment and sanitary kits were added at the second restructuring, a complementary ESMF was prepared, disclosed, and implemented to manage potential risks and impacts on environmental, health, and safety aspects (ICR, para 85). Regarding OP 4.04 (Natural Habitats), major environmental risk concern was around the selection of beneficiary communities whose territories overlapped with the limits of natural protected areas (NPAs). At project closing, no beneficiary communities overlapped with NPAs (the project task team meeting). The communities overlapped with buffer areas of NPAs were developed in line with the NPA management plans and conservation criteria (the project task team meeting). Regarding OP 4.36 (Forests), the ESMF stated that subprojects that involve land use change of forests were not eligible. As confirmed through supervision missions and reports, only secondary forests were intervened, and these were managed per the provisions of the ESMF (the project task team meeting). Regarding OP 4.09 (Pest Management), the ESMF stated that subprojects that required the use of pesticides were not eligible (the project task team meeting). At project closing, it was confirmed that the project complied with this measure throughout implementation, and that chemical products for pest management were not used (the project task team meeting). Regarding OP 4.11 (Physical Cultural Resources), no subproject was executed within cultural heritage areas, and no chance findings during the execution of subprojects occurred (the project task team meeting).

Social safeguards: the project triggered OP 4.10 Indigenous Peoples. At restructurings, the following social risk concerns were stated and addressed in the following months: (i) the risk of not achieving the PDO to benefit indigenous peoples in compliance with OP 4.10; (ii) the limited implementation of the communication plan to manage expectations of beneficiaries regarding land titling processes; (iii) the delay in submitting a written response to a complaint formally through the Grievance Redress Mechanism; and (iv) the outdated repository with all community assembly minutes in digital format (ICR, para 85). Overall, the project complied with all environmental and social safeguards during implementation and at project closing (the project task team meeting).

b. Fiduciary Compliance

Financial Management: The project experienced financial management issues in early years of implementation due to the following shortcomings: (i) delays in preparing operational manual for subprojects, (ii) staff turnover, (iii) low budget execution, and (iv) delays in submitting financial reports (ICR, para 90). The National Executing Agency later addressed those issues, which resulted in exponential increase in the budget execution after the third year of project implementation (ICR, para 90). The financial management risks identified at appraisal, such as a complex flow of funds particularly transferring funds to beneficiaries, and the need of the National Executing Agency to closely oversee the financial management of the Subproject Executing Organizations, were adequately addressed (ICR, para 90). The National Executing Agency started to virtually monitor the subprojects after March 2020 due to the mobility restriction under the COVID-19 pandemic, by improving the financial coordination with indigenous organizations with the support of a field administrative consultant (ICR, para 91). Subproject implementation and corresponding budget execution were delayed or cancelled under the state of emergency, resulting in the restructurings to reallocate funds among categories and extend the project



duration (ICR, para 91). The budget preparation and approval and authorization controls were adequate (ICR, para 91). All the financial audit reports had unqualified opinions and arrived on time (ICR, para 91), including the last audit report for 2020-2021 (the project task team meeting).

Procurement: The procurement issues included: (i) delays in recruiting advisors due to the low quality of terms of reference; (ii) delays in uploading procurement documents, particularly the latest procurement plan, to the Systematic Tracking of Exchanges in Procurement of the World Bank; and (iii) the National Executing Agency’s incompliance with the World Bank’s policies during the bidding process of radio communication equipment (ICR, para 92). To address those issues, the World Bank provided additional training on the use of the Systematic Tracking of Exchanges in Procurement, conducted a procurement post review, and guided the National Executing Agency to relaunch the bidding process of radio communication equipment by extending the project closing date and increasing the threshold for Request for Quotations, which is simpler and shorter procurement process compared to the Request for Bids (ICR, paras 25 and 92). Other than those issues, the procurement documentation and decisions were generally adequate, in terms of quality, reliability, timeliness, and transparency, without any changes in award recommendations due to complaints from bidders (ICR, para 92).

c. Unintended impacts (Positive or Negative)

No unintended impacts were mentioned in the ICR.

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Moderately Satisfactory	The original objective is rated modest due to low achievement. After the restructurings, the objective with the revised PDO indicators is rated substantial. With the high relevance rating and the substantial efficiency rating, the outcome is rated moderately satisfactory when a split rating is performed.
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	



12. Lessons

The ICR (paras 98-101) presented four lessons. Three of them are included below with rephrasing because these may benefit future projects related to sustainable forest management through engaging indigenous people and native communities.

Working through indigenous people's organizations is an effective approach to engage indigenous people and native communities to improve land titling and conduct other sustainable forest management activities. Adequate technical and financial support for institutional capacity strengthening is essential to engage them in the climate dialogue and decision-making. A more structured, permanent governance framework for the indigenous people's organizations to participate in the Forest Investment Plan, Reducing Emissions from Deforestation and Forest Degradation, and other relevant initiatives is recommended by the National Steering Committee. Physical visits and training sessions specifically targeted for women would be necessary to increase women-led projects and their participation in decision making processes. Alliances between indigenous enterprises and the Centers for Productive Innovation and Technology Transfer as well as with other related public entities for competitiveness incubation were key for the generation of products and services with an added value and for the targeting of new and larger markets. Such alliances could be useful for boosting additional women-led projects.

Missing a digitalized system to monitor progress of project implementation in terms of technical, financial, and environmental and social aspects in an agency responsible for project implementation can negatively affect effective project implementation and M&E quality. Securing budgets for developing a new system or strengthening an existing system should be strategically planned in the local context during preparation, in order to operationalize the system; but this was not done by the project. Triangulation of reported data by the World Bank through a technical audit could have also been effective to identify data discrepancies in earlier stages to remedy the situation (ICR, para 94). The use of a comprehensive, automated, and georeferenced information system is required for sustainable community forest management projects to track community requests, approval processes, physical and financial progress, efficiency and to adequately track deforestation. Considering limited internet connection in the field, the system should be compatible with an offline application to collect the data in digital format and then transfer it the online system.

Strong political commitments and resources of government agencies at the local level responsible for approving land titles are essential to expedite titling processes. Although the project promoted agreements with regional governments by supporting them to acquire equipment and hire consultants, these measures were not enough to fully expedite the titling processes because the Regional Agricultural Office had a limited number of specialists to review the consultants' products to formally approve titling documentations. The project identified the average time and cost of each stage in the recognition and land titling processes per region, which can be utilized to ensure commitments from public budgets to supply the necessary financial and human resources.

In addition, IEG formulated the following lesson:

The project's two-pronged approach, which combined land titling and productive investments to generate income, is an effective way to support forest communities to carry



out sustainable forest management practices. The project provided technical and financial assistance to native communities to strengthen governance and capacities to increase land titling activities and community-based productive initiatives, that was a combination of interventions that directly contributed to their efforts of improving sustainable forest management practices (ICR, para 53). These activities were envisioned to contribute to long term income generation, which would incentivize communities to protect their forests. However, to ensure a success of this approach, it is important to clearly define sustainable forest management, to strengthen local capacity of public institutions and communities, and to establish a good M&E system.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a detailed overview of the project. The report is concise and follows the guidelines in general to provide accurate data. The ICR tries to triangulate efficacy section data by providing additional data on deforestation rates though the evidence was not yet strong until a longer series of data becomes available to support achievement of outcomes. The quality of evidence and analysis for the efficacy section could have been strengthened by discussing the weaknesses of the TOC and the PDO indicators. This would provide a better narrative to support the ratings and available evidence. The ICR's lessons are clear and useful.

a. Quality of ICR Rating

Substantial