

**Peru: Resettlement Programme Ayacucho**

**Ex-post evaluation**

<b>OECD sector</b>	72030 Refugee aid	
<b>BMZ project ID</b>	1995 65 326	
<b>Project-executing agency</b>	Proyecto de Apoyo a la Repoblación (PAR)	
<b>Consultant</b>	Consulting Engineers Salzgitter GmbH (CES)	
<b>Year of ex-post evaluation</b>	2005	
	<b>Programme appraisal (planned)</b>	<b>Ex-post evaluation (actual)</b>
<b>Start of implementation</b>	01/1995	01/1996
<b>Period of implementation</b>	3 years	5 years
<b>Investment costs</b>	EUR 26.08 million	EUR 18.37 million
<b>Counterpart contribution</b>	EUR 18.41 million	EUR 10.70 million
<b>Financing, of which Financial Cooperation (FC) funds</b>	EUR 7.67 million	EUR 7.67 million
<b>Other institutions/donors involved</b> <i>Financing included pro rata in counterpart contribution</i>	UNDP, OIM, COSUDE	UNDP, OIM, COSUDE
<b>Performance rating</b>	3	
<b>• Significance / relevance</b>	3	
<b>• Effectiveness</b>	3	
<b>• Efficiency</b>	4	

**Brief Description, Overall Objective and Programme Objectives with Indicators**

The programme objective was to improve the living conditions in villages in the department of Ayacucho that had been affected by terrorism by pooling cross-sector measures. This was to enable the native villagers to resume their traditional way of life and existence on a sustainable basis. In this way, the programme was to contribute to the social and economic development of the villages, which had come to a standstill or had regressed for over a decade due to terrorism (overall objective). From today's point of view, with regard to the overall objective it can be added that the programme was also meant to make a substantial contribution to ensuring peace/preventing conflict in the region of Ayacucho. The overall objective and the programme objective were to be considered achieved if, two years after the completion of the respective package of measures in the relevant villages, the village population equalled at least 80% of the population prior to their flight and there was no notable increase in migration away from the villages in the meantime (indicator).

**Programme Design / Major Deviations from the original Planning and their main Causes**

The special agency PAR (Proyecto de Apoyo a la Repoblación) served as project-executing agency for the Resettlement Programme Ayacucho. It was founded in 1993 for the purpose of laying the groundwork for an improvement in the living conditions (above all crop and livestock farming) in those villages affected by terrorism and, in this way, of making an important

contribution to the peace process within the country. It is part of the Ministry for Women and Development (PROMUDEH), which was renamed to MIMDES in 2002.

At the time of the programme appraisal there were plans to adapt the individual measures in the areas covered by the resettlement programme to the respective problems that had been identified, to pool them and implement them together. A distinction was to be made between emergency measures ('Acción Integral de Emergencia'), which aimed to reintegrate returnees as quickly as possible into daily life, and packages of measures targeting sustainable development ('Acción focalizada en zonas estratégicas a nivel de microcuencas'). The FC measures were planned as part of the latter and focused on basic sanitation as well as on building and improving roads. However, the PAR did not coordinate the implementation of the emergency measures and the measures for sustainable development. Instead, the individual projects were carried out simultaneously but more or less separately.

Compared to the assumptions made during the programme appraisal, the composition of the FC-funded measures changed only slightly as there was a slight shift towards road construction measures, especially bridges. What is more, no public latrines were built since their acceptance among the population in the programme area was quite low. For the same reason, no public standpipes were built; instead, house connections were installed. In general, high supply standards were achieved in the water supply and sanitation area, and the roads became passable year-round with only brief interruptions. Approx. 50% of the investment costs were incurred for road construction/hanging bridges and 50% for water supply/sanitation. The 194 measures broke down as follows:

- 16 rural roads: improvement of 2 roads of a total length of around 25 km and the construction of 14 new roads of a total length of approx. 122 km. Special measures were applied to 11 roads, i.e. endemic trees and shrubs were planted to protect the slopes. This enabled some 31,000 inhabitants in 80 villages to be connected to the road network.
- 9 hanging bridges: construction of 2 drivable hanging bridges and 7 foot bridges. Altogether, these measures made it easier for around 14,800 people from 35 villages to cross small and medium-sized rivers.
- 159 small-scale drinking water systems: 8,611 house connections supplied 46,800 people with clean drinking water.
- 10 sanitation systems: 2,043 homes were connected to hydraulic sanitation systems, which contributed to improving the hygiene situation for some 19,100 people. Most homes were also equipped with toilets and showers.

In view of the political goals of the programme for peace and reparations, it is understandable that some of the measures targeting road construction (solid construction) and water supply (individual connections, showers, flush toilets) were generous, but in our opinion, in sectoral terms they were not fully justified. This also applies to a limited degree to the equipment of the project-executing agency with construction machinery. In general, however, the measures were mostly in line with demand and fit in well with the PAR's overall concept. From today's point of view, purely infrastructure projects without any complementary measures in the psychological (social) area or in conflict monitoring would no longer be planned in crisis-ridden or post-war regions. After all, the expulsion and return of the local population did not have solely economic impacts. They also had socio-cultural repercussions such as gang crime in Ayacucho and a steep rise in domestic violence in conjunction with alcohol abuse. The competent ministry PROMUDEH reached the same conclusion about the overall resettlement programme during the interim evaluations, prompting it to fundamentally change the purpose and focus of the PAR as of 2001.

Since there were repeated delays in the construction work at the beginning of the programme, the PAR, together with KfW, decided to assign its implementing unit PAR-SAV to carry out the individual projects on its own as of 1998. Private-sector enterprises were not involved in the implementation, although this was planned at the time of the programme appraisal and

recommended anew during the interim evaluation in 1998. Overhead cost savings and better participation by the target group were offered as arguments in favor of delegation of the work. The approach selected for the implementation complies with standard practices of state agencies in Peru and is based on deep mistrust of the private sector as well as on the conviction that by delegating the work, the own efforts by the population will become more visible. Since the PAR-SAV did not conduct even one tender and did not collect any price quotations from local firms, there is still no evidence that this approach was more cost-efficient.

Experience gathered in other countries tends to indicate that involving the private sector is seldom the more expensive solution and is preferable, also in terms of sustainability. Whereas it may make sense for municipalities as of a certain size to have engineers and machinery available in order to be able to perform work quickly and unbureaucratically, this does not make sense for a centralistic project implementation unit that will be dissolved at the end of a project, leading to a loss of all procedural know-how. The same holds true for the acquired construction machinery and the soil testing laboratory, all of which is still stored in Ayacucho and is used only sporadically. The delegated implementation in this programme produced good results; however, if the personnel situation had been less favourable this would not necessarily have been the case, partly because important control mechanisms were lacking.

Programme implementation began in mid-1996 with the detailed studies after the implementation unit PAR-SAV had been established. The last projects were completed in May 2001, resulting in a total implementation period of 5 years. This is twice as long as had been projected during the appraisal. This delay was due largely to unexpectedly difficult administrative processes regarding coordination of the projects and to technical problems in the project areas, which had difficult topography. The switch to delegated implementation cost more time, as did problems with the financial administration within the PAR. From today's point of view we judge the implementation concept to be only partly suitable. Its suitability was curtailed by losses of efficiency and time due to the delegation of project implementation.

### **Key Results of the Impact Analysis and Performance Rating**

From today's perspective, the selected indicator is not appropriate to measure achievement of the objectives. At the time of the appraisal it was already clear that a substantial number of refugees were not planning to return. At that time, 84,000 returnees who had fled their villages to escape the violence were expected. 38,500 (46%) of them had already returned and another 23,000 (27%) were classified as willing to return. In other words, 27% of the target group had not intention of returning. According to a study by the PAR, around 65% of the inhabitants of Ayacucho returned by 1999. Strictly speaking, the target indicator was not achieved. Yet, the indicator did not correctly assess the situation. The decision to resettle people in Ayacucho was first and foremost an economic decision, according to the population (and confirmed by studies by the PAR). People returned when they were unable to find work in the cities. In this context, their native land at least gave them an opportunity for subsistence farming. Most of the refugees returned to their villages voluntarily as soon as peace was assured – the greater majority before the PAR began to actively carry out its measures. However, those who found work and income in the cities usually opted to stay rather than return to a meager life in the Andean highlands. Today a significant number of families commute between the two, with some members staying in the city (e.g. to offer their children a better education). This makes it difficult to collect statistics. The impact hypothesis that programmes could give people who did not want to return an incentive to do so was not confirmed.

Accordingly, the PAR quickly readjusted its programmes by redefining their target group. This was in reaction to repeated conflicts between returnees and the people who had remained in the area. Those who opted not to flee were frequently affected more strongly by terror and violence (death, disappearance, bodily harm, rape etc.). They were also the ones who protected the village land and livestock against attacks, and felt cheated because the returnees received

targeted support. Consequently, the PAR began including the villagers who had remained in the villages affected by terrorism. From today's point of view, regardless of the movements of refugees the programme is to be regarded primarily as a poverty-oriented development programme in rural areas with a special focus on ensuring peace/preventing conflict.

Taking the changed circumstances into consideration, we consider the programme objective – to improve the living conditions in those villages in the department of Ayacucho that were affected by the terrorism by pooling cross-sector measures in order to enable the villagers to resume their traditional way of life and existence on a sustained basis – to be achieved to a sufficient degree. Some 112,000 people benefited from the measures financed under the FC programme in the areas of water/sanitation and rural roads. Twelve out of the 13 villages visited during the ex-post evaluation registered strong natural population growth in the past 5 years. There was a net migration of the population in only one of the 13 villages. 70-80% of the financed infrastructure facilities are being used expediently from a development-policy perspective. During the ex-post evaluation 17 (out of 194) of the individual measures were randomly selected and assessed: 10 water supply systems, 2 sanitation systems, 2 bridges and 3 roads. Our general impression of the condition of the infrastructure was positive. All facilities were in operation and were obviously being maintained by the target group. In three-fourths of the cases tariffs were charged that at least covered the operating costs for the water supply (house connections) and penalties were charged accordingly for payment delays. The majority of those questioned during the ex-post evaluation stated that their living conditions had improved and that the programme had made a certain if not essential contribution in this regard. Therefore, we also consider the overall objective of the programme – to contribute to the social and economic development of those villages whose development had been interrupted owing to the terrorism - to be sufficiently achieved.

The cost-effective implementation of the individual projects is indicated primarily by the unit costs of the infrastructure measures, which were deemed favourable. An assessment of microeconomic impacts is possible only for the drinking water systems. These are very simple gravitational systems that do not require operating personnel around the clock. The cleaning of the systems is done in the form of community work. Major regular expenses are the purchase of chlorine (approx. PEN 35 monthly for a reservoir of 20 m<sup>3</sup>) and of occasional spare parts such as faucets or water pipes. In the villages visited during the ex-post evaluation, in 7 of 9 cases a monthly tariff of PEN 0.50-1.00 was charged per household. Depending on the number of users, in 6 cases this is sufficient to fully cover the costs of operation and maintenance. No tariffs were charged in only two cases involving a dispute with the neighboring village and where the aridity caused the water supply to be reduced to only a few hours per day. No tariffs are charged for sewage disposal and roads; instead, the villages perform maintenance work in the form of community work. Overall responsibility for the infrastructure facilities lies with the municipalities, whose care for the facilities varies. Providing an adequate maintenance budget - especially for roads in remote mountainous regions - is problematic.

An economic return on the capital invested cannot be calculated because many of the impacts expected of the individual projects are of a political and socio-economic nature. The programme's main impacts include an improvement in the living conditions in the poor rural areas in Ayacucho and a contribution to ensuring peace in the region. This was confirmed by a survey of beneficiary municipalities that was conducted during the ex-post evaluation. In 10 of 13 villages (76%) those surveyed stated that their living conditions had improved in the past 10 years. In 8 of these 10 villages, those surveyed stated that the FC programme was a key contributing factor to this change. This was especially the case in those villages in which the project generated an economic benefit, either through the use of drinking water for planting small gardens and the use of treated sewage to irrigate the fields or through the possibility to sell more local products from mining and agricultural activities due to the road measures. The improvement in the living conditions can be illustrated on the basis of specific indicators for Ayacucho: between 1993 and 1998 the number of cases of child mortality decreased from 84 to

68 per 1,000 live births and the frequency of the occurrence of gastro-intestinal diseases declined from 19% to 17%. Agricultural production also increased by 26% between 1996 and 1999 as a result of stabilized conditions, thus approaching its pre-war level and, in some cases, even exceeding it. Since the start of the programme the target group has contributed continuously and substantially to the programme's success in the form of community work.

From a purely economic perspective, neither the water supply/sanitation facilities nor the roads in the region of Ayacucho that were financed out of FC funds were profitable. The fundamental question of how much economic and social infrastructure Peru can afford in the sparsely populated Andes mountains with their minimal economic potential was not examined further during the programme appraisal. Whether the measures financed out of FC funds are part of a sustainable, feasible, long-term development strategy for the Andean highlands remains open. The unclarified issues of maintenance (particularly large-scale maintenance work in the road sector) and possibilities of expanding the system owing to the limited cost coverage (in the case of water supply) are indicators that the topic of 'sustainability of the financed infrastructure facilities' placed only a secondary role. And yet, today the majority of the systems are in good or acceptable condition.

With regard to resettlement, the programme did not have any direct impacts. And yet, overall it can be assumed that the improvement in the living conditions contributes to reducing labor migration. Compared to other studies by the PAR and with the official population statistics for Ayacucho, the 13 project sites that were visited have a relatively stable population level with an above-average growth rate. In comparison, the total population in the region of Ayacucho rose by only 0.2% p.a. between 1994 and 1999. It was thus below the natural population growth rate, an indication of increased migration.

Improved water supply has positive health impacts (reduction in water-based diseases), including an improvement in child health. Since in Andean families, fetching water and caring for/raising children is traditionally a woman's task, the programme indirectly contributed to relieving the women in the programme area of some of their burden. However, in rural Andean society women have traditionally played a subordinate role. In the municipal selfhelp organizations decision-making is usually up to the men. Women did not receive special support under the programme, nor were they involved in decision-making processes. The programme objectives did not target gender equality. From today's point of view, special support for women would have been desirable, particularly in view of the war-related gender-specific violence, the rise in alcohol abuse and in domestic violence in the post-war communities.

For the most part, the target group was comprised of poor farmers of indigenous origin. The participation of the programme beneficiaries in the planning and implementation (community work) of the individual projects was a key programme component. The target group makes a substantial, sustainable contribution to the operation and maintenance of the newly built infrastructure facilities in the form of community work.

The programme's sole environmental impacts involved road construction on escarpments. These impacts were compensated by planting trees and shrubs on the slopes. The sanitation projects had a positive impact on the environment since the people living in lower-lying areas no longer suffer damages due to polluted water. This is clearly shown in the decline in diarrheal diseases among children.

During the appraisal a number of risks pertaining to the security situation, the project-executing agency, implementation and operation had been identified. The main risk – a renewed flare-up of terrorism – did not arise. The risk of working in villages to which the population has not yet returned did not arise, either, particularly since, due to the delayed start of the programme, the major wave of returnees was already over and the PAR changed its target group. The doubts regarding the capacity of the executing agency to implement the programme were partially justified, as demonstrated by liquidity bottlenecks and time delays. Most of the risks to operation

and maintenance did not arise. Road maintenance remains problematic, above all when heavy machinery and equipment are needed. During the final follow-up there was a risk to the programme's developmental effectiveness in that the some of the road connections to bridges end in the connected villages. During the ex-post evaluation, however, it was noted that roads continued to be built in the meantime, primarily at those locations that were visited. This activity was encouraged by municipalities or other state programmes. As a result, the user group of the bridges and roads grew larger.

Based on a combined assessment of all impacts and risks described above, we have arrived at the following rating of the programme's developmental effectiveness:

Effectiveness:

We consider the programme objective – to improve the living conditions in those villages in the department of Ayacucho that were affected by terrorism by pooling cross-sector measures in order to enable the villagers to resume their traditional way of life and existence on a sustained basis – to be achieved to a sufficient degree. Altogether 194 infrastructure facilities were financed in the fields of water/sanitation and road construction, and approx. 112,000 people benefited from these measures. The overall impression of the condition of the 13 infrastructure facilities that were visited during the ex-post evaluation was positive. All facilities were in operation and were obviously being maintained by the target group. Overall we assume that between 70-80% of the infrastructure facilities are being used properly from a development-policy perspective. The majority of those surveyed during the ex-post evaluation stated that their living conditions had improved due largely to the infrastructure facilities that were financed under the programme. The programme had sufficient poverty reduction impacts that roughly correspond to the typical impacts of a social fund. By improving the living conditions, the programme successfully prevented further migration of the population. There are major sustainability risks arising from the insufficient provision of maintenance budgets for the roads/bridges, which are needed for large-scale repair works (involving heavy machinery and equipment) every few years. We deem the limitations in cost coverage for water supply/sanitation to be problematic. Tariffs that fully cover the costs are required to expand the systems or to renew them in due course. Therefore, overall we classify the programme's effectiveness as still sufficient (partial evaluation: rating 3).

Significance / relevance:

We also consider the overall objective of the programme – to contribute to the social and economic development of those villages whose development had been interrupted owing to terrorism - to be sufficiently achieved. The programme rationale of contributing to the economic and social development of the programme region and to ensuring peace/preventing conflict by building infrastructure facilities is a relevant approach for solving the problem, also from today's point of view. In particular, the inclusion of the resettlement programme in poverty reduction, which is a core element of Peru's current governmental policy, ensured that Peru assigned the programme high developmental priority and that the programme was able to have its full impact. In view of the high numbers of beneficiaries – around one-fifth of the population in the programme region – we consider the significance of the measures to be sufficient. However, the generously defined supply standards in the area of water supply (house connections instead of standpipes) - which were politically motivated – had a negative impact on the programme's significance/relevance. Installing standpipes would have reached a higher number of people, and the investment costs would have been the same (partial evaluation: rating 3).

Efficiency:

We rate the production efficiency as sufficient. The technical design of the infrastructure measures was quite generous in some aspects (water supply). The implementation concept of delegating the work to the PAR-SAV was less than optimal. The delegation of the work led to delays and, thus, to higher administrative costs for the programme. The effect of the delegated work on the programme costs is unknown, yet it probably did not lead to cost savings, as indicated by the relatively high implementation costs of the project-executing agency. We consider the high administrative costs for implementation of 26% (excluding studies and construction machinery and equipment) to be slightly insufficient. There were deficiencies in the

administrative/financial processing of the individual projects that led to liquidity bottlenecks as well as in the slow pace of implementation, as indicated by the implementation period of 5 years (3 years were planned at the time of the appraisal). We consider the cost efficiency of the physical performance of the construction work in a narrow sense to be satisfactory owing to the relatively low unit costs. However, neither the water supply nor the roads fulfil standard sector criteria for assistance in terms of supply standards and cost coverage i.e. operational cost savings. Accordingly, we judge the allocation efficiency to no longer be sufficient. Overall, weighing both the production efficiency and allocation efficiency, in this aspect we rate the programme as slightly insufficient (rating: 4).

Although the programme does not meet normal sector criteria for assistance, with regard to ensuring peace and preventing conflict – which were clearly emphasized in this programme – it was ultimately very successful in development-policy terms. Terrorism did not flare up again in the region of Ayacucho. In consideration of the sub-criteria mentioned above, we rate the developmental effectiveness of the programme as sufficient overall (**overall evaluation: rating 3**).

### **General Conclusions**

Assigning an implementation consultant for financial and selective technical monitoring as was the case in this programme proved to be important for assuring the quality of the individual projects and, thus, also for the sustainability of the financed infrastructure, particularly in comparison with the social fund project FONCODES, which ran simultaneously. In social fund projects it should always be examined whether involving an implementation consultant can significantly improve the quality of project implementation and its sustainability.

In future infrastructure projects, the delegation of project work as is practiced by the public sector should be reduced to the benefit of the private sector. If necessary, training measures in public tendering and construction monitoring should be offered to the public executing agencies as a fixed component of decentralization and social fund programmes.

In the face of a frequently changing number of state executing agencies with similar or overlapping mandates - particularly in decentralization or poverty reduction projects – when selecting the project-executing agency attention should be paid to a clear and purposeful division of the work to ensure that inefficient parallel structures will not be supported out of Development Cooperation (DC) funds. Co-financings with other donors instead of the establishment of separate project implementation units - all with their own procedures - also help to enhance the efficiency, so that overall, more funds can be spent on project measures than on project administration.

In order to ensure that a sense of ownership develops among the target group with regard to the use and maintenance of simple infrastructure facilities, it makes sense to involve the population in the construction work so that they also learn about the operating systems. Involving the target group in the implementation organization (selection of consultants for construction monitoring, contracting of construction firms etc.) is not as important. This would impart short-term knowledge that would be forgotten shortly afterwards because it is not applied regularly.

A recurring experience with social fund projects and similar approaches is that the timely and compulsory involvement of the competent ministries and decentralized structures on the level of the respective competent local authorities (budgets for repairs, maintenance and operation) are essential prerequisites for the sustainable operation of the financed infrastructure facilities.

## Legend

Developmentally successful: Ratings 1 to 3	
Rating 1	Very high or high degree of developmental effectiveness
Rating 2	Satisfactory degree of developmental effectiveness:
Rating 3	Overall sufficient degree of developmental effectiveness
Developmental failures: Ratings 4 to 6	
Rating 4	Overall slightly insufficient degree of developmental effectiveness
Rating 5	Clearly insufficient degree of developmental effectiveness
Rating 6	The project is a total failure

### Criteria for the Evaluation of Project Success

The evaluation of the "developmental effectiveness" of a project and its classification during the ex-post evaluation into one of the various levels of success described in more detail below concentrate on the following fundamental questions:

- Are the project objectives reached to a sufficient degree (aspect of project **effectiveness**)?
- Does the project generate sufficient significant developmental effects (project **relevance** and **significance** measured by the achievement of the overall development-policy objective defined beforehand and its effects in political, institutional, socio-economic and socio-cultural as well as ecological terms)?
- Are the funds/expenses that were and are being employed/incurred to reach the objectives **appropriate** and how can the project's microeconomic and macroeconomic impact be measured (aspect of **efficiency** of the project concept)?
- To the extent that **undesired (side) effects** occur, are these tolerable?

We do not treat **sustainability**, a key aspect to consider for project evaluation, as a separate category of evaluation but instead as a cross-cutting element of all four fundamental questions on project success. A project is sustainable if the project-executing agency and/or the target group are able to continue to use the project facilities that have been built for a period of time that is, overall, adequate in economic terms, or to carry on with the project activities on their own and generate positive results after the financial, organizational and/or technical support has come to an end.