

# CLIMATE INVESTMENT FUNDS

FIP/SC.11/4/Rev.1  
October 18, 2013

---

Meeting of the FIP Sub-Committee  
Washington, D.C.  
October 30, 2013

Agenda Item 4

**FIP INVESTMENT PLAN  
FOR PERU**

## PROPOSED DECISION

The FIP Sub-Committee, having reviewed the *Investment Plan for Peru* (Document IP/SC.11/4),

- a) endorses the Investment Plan as a basis for the further development of the projects foreseen in the plan and takes note of the total requested funding of USD 50 million (USD 26.8 million in grant funding and USD 23.2 million in loan financing).
- b) The Sub-Committee reconfirms its decision on the allocation of resources, adopted at its meeting in November 2010, that a range of funding for the country should be used as a planning tool in the further development of project and program proposals to be submitted to the FIP Sub-Committee for FIP funding approval, recognizing that the minimum amount of the range is more likely and that the upper limit of the range will depend on availability of funding.

The range of funding agreed for Peru is USD 30-50 million in FIP resources. The Sub-Committee also recognizes that the quality of the proposed activities will be a significant factor in the funding to be approved by the Sub-Committee when project and program proposals are submitted for approval of FIP funding.

- c) approves a total of USD 1,500,000 in FIP funding as preparation grants for the following projects,
  - i. USD 370,000 for the project “*Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto*”, (IDB);
  - ii. USD 400,000 for the project “*Integrated landscape management in Atalaya, Ucayali Region*”, (World Bank);
  - iii. USD 370,000 for the project “*Integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amarakaeri Communal Reserve*”, (IDB); and
  - iv. USD 360,000 for the project “*Strengthening of national forest governance and innovation*”, (IDB).

to be developed under the investment plan.

- d) takes note of the estimated budget for project preparation and supervision services for the projects referenced above and approves a first tranche of funding for MDB preparation and supervision services as follows:
  - i. USD 250,000 for the project “*Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto*”, (IDB);

- ii. USD 400,000 for the project “*Integrated landscape management in Atalaya, Ucayali Region*”, (World Bank);
  - iii. USD 250,000 for the project “*Integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amaraeri Communal Reserve*”, (IDB); and
  - iv. USD 250,000 for the project “*Strengthening of national forest governance and innovation*”, (IDB).
- e) requests the Government of Peru and the MDBs to take into account all written comments submitted by Sub-Committee members by November 20, 2013, in the further development of the projects.

# Climate Investment Funds

---

## Forest Investment Plan Peru

October, 2013

## Table of Contents:

<b>ACRONYMS</b> .....	3
<b>SUMMARY OF INVESTMENT PLAN</b> .....	5
<b>SECTION 1. DESCRIPTION OF THE COUNTRY AND SECTOR CONTEXT</b> .....	12
<b>SECTION 2. IDENTIFICATION OF OPPORTUNITIES FOR GREENHOUSE GAS REDUCTION</b> .....	19
<b>SECTION 3. LEGAL AND INSTITUTIONAL FRAMEWORK</b> .....	23
<b>SECTION 4. CO-BENEFITS OF THE FOREST INVESTMENT PROGRAM - FIP</b> .....	32
<b>SECTION 5. COLLABORATION WITH MDBs, OTHER DONORS AND THE PRIVATE SECTOR</b> .....	33
<b>SECTION 6. IDENTIFICATION AND RATIONALE OF THE PROGRAMS AND PROJECTS TO BE FINANCED BY THE FIP</b> .....	34
<b>SECTION 7. IMPLEMENTATION POTENTIAL AND RISKS ASSESSMENT</b> .....	44
<b>SECTION 8. FINANCING PLAN FOR THE FOREST INVESTMENT PROGRAM IN PERU</b> .....	46
<b>SECTION 9. RESULTS FRAMEWORK</b> .....	49
<b>SECTION 10. ENVIRONMENTAL AND SOCIAL SAFEGUARDS</b> .....	52
<b>REFERENCES</b> .....	54
<b>ANNEXES</b> .....	56
1. Inventory of proposed projects.....	57
2. Participation plan and role of the stakeholders.....	88
3. Dedicated Grant Mechanism (DGM) Peru process and advances.....	93
4. Readiness Preparation Process for REDD+.....	95
5. External reviewers comments.....	101
6. Template for Project / Preparation Grant Request.....	114

## ACRONYMS

**AGROIDEAS:** Program of Compensation for Competitiveness.

**AGRORURAL:** Rural Agrarian Productive Development Program.

**ANA:** National Water Authority.

**APROFU:** Ucayali Association of Forest Producers.

**ARA:** Regional Ambiental Authorities.

**ARAU:** Ucayali Regional Environmental Authority.

**BCRP:** Central Reserve Bank of Peru.

**CAM:** Municipal Environmental Commissions.

**CAR:** Regional Environmental Commissions.

**CCL:** Lima Chamber of Commerce.

**CGFFS:** Forest and Wildlife Management Committee.

**CIAM:** Amazon Interregional Council.

**CO<sub>2</sub>e:** Equivalent carbon dioxide.

**CORPIAA:** Regional Coordinator of Indigenous People of Atalaya.

**DGAAA:** General Bureau of Environmentally-related Agrarian Matters.

**DGCCDRH:** Change, Desertification and Water Resources.

**DGEVFPN:** General Bureau of Natural Heritage Assessment, Enhancement and Financing.

**DGFFS:** General Forestry and Wildlife Bureau.

**DGOT:** General Bureau of Land Use Planning.

**DRA:** Regional Bureau of Agriculture.

**FAO:** Food and Agriculture Organization.

**FCPF:** Forest Carbon Partnership Facility.

**FECONAPA:** Ashaninka Federation of Native Communities of the Province of Atalaya.

**GHG:** Greenhouse Gas Emissions.

**Gg:** Gigagrams.

**IIRSA:** Initiative for the Integration of the Regional Infrastructure of South America.

**INEI:** National Institute of Statistics and Informatics.

**INIA:** National Institute for Agrarian Innovation.

**IPCC:** Intergovernmental Panel on Climate Change.

**MINAGRI:** Ministry of Agriculture and Irrigation.

**MINAM:** Ministry of the Environment.

**MINCETUR:** Ministry of Foreign Commerce and Tourism.

**MRV:** Monitoring, Report and Verification System.

**MTCO<sub>2</sub>:** Million Tonnes of Carbon Dioxide.

**OEFA:** Office of Environmental Assessment and Control.

**ILO:** International Labour Organization.

**ORAU:** Regional Organization AIDSESEP of Ucayali.

**OSINFOR:** Supervisory Body for Forest and Wildlife Resources.

**PIA:** Stakeholder Involvement Plan.

**PIACI:** Indigenous Peoples in Isolation and in Initial Contact.

**FIP:** Forest Investment Plan.

**PNCB:** National Forest Conservation Program.

**PNCBMCC:** National Forest Conservation Program for Climate Change Mitigation.

**PTRT:** Titling and registry of rural land holdings program.

**REDD:** Reducing emissions from deforestation and forest degradation.

**RIA:** National REDD+ Amazon Native Peoples Roundtable.

**R-PP:** Readiness Preparation Proposal.

**SERFOR:** National Forest and Wildlife Service.

**SERNANP:** National Natural Protected Areas Service.

**SINEFA:** National Environmental Assessment and Control System.

**UCP:** Project Coordination Unit.

**UGFFS:** Forest and Wildlife Management Units.

**UGT:** Unidades de Gestión Territorial.

**LULUCF:** Land use and land-use change and forestry.

## SUMMARY OF INVESTMENT PLAN

### FOREST INVESTMENT PROGRAM Summary of Country Investment Plan

<b>1. Country/Region:</b>	Peru- Latin America	
<b>2. FIP Funding Request (in USDmillion):</b>	Grant: 26 800 000	Loan: 23 200 000
<b>3. National FIP Focal Point:</b>	Ministry of the Environment (MINAM) Ministry of Economy and Finance (MEF)	
<b>4. National Implementing Agency (Coordination of Investment Plan):</b>	Ministry of the Environment (MINAM)	
<b>5. Involved MDB</b>	Inter-American Development Bank (IDB) The World Bank (WB)	
<b>6. MDB FIP Focal Point and Project/Program Task Team Leader (TTL):</b>	<p>Headquarters-FIP Focal Point:</p> <p>Gloria Visconti Lead Climate Change Specialist, Inter American Development Bank (IDB) gloriav@iadb.org</p> <p>Gerhard Dieterle, Forestry Advisor, FIP Focal Point, World Bank gdieterle@worldbank.org</p>	<p>TTL:</p> <p>Eirivelthon Lima Rural Development Senior Specialist Inter American Development Bank (IDB) elima@iadb.org</p> <p>David Tuchschnieder Rural Development Senior Specialist World Bank Dtuchschnieder@worldbank.org</p> <p>Jaime Fernández-Baca Climate Change Specialist, Inter American Development Bank (IDB) jaimefer@iadb.org</p> <p>Juan Chang Climate Change Senior Specialist, Inter American Development Bank (IDB) jchang@iadb.org</p>



## 7. Description of Investment Plan:

### (a) Key challenges related to REDD+ implementation

Peru is considered one of the most mega diverse countries on the planet, with 84 of the earth's 104 living zones

This high biodiversity is compromised by high deforestation rates, especially in the Amazon Region, that corresponds to more than 94% of Peru's total forests.

Annual deforestation of Amazon forests over the period of 2000-2009 averaged close to 110,000 hectares, equivalent to an annual deforestation rate of 0.14%<sup>1</sup>. This rate places Peru fourth among the seven Amazon countries (FAO 2010)<sup>2</sup>, below Brazil, Venezuela and Bolivia.

In the Peruvian Amazon, the following direct drivers are responsible for most of the deforestation and forest degradation :

- **Traditional small-scale farming** (average between 5 and 30 hectares) where a traditional extensive agriculture is practiced characterized by low returns due to low productivity and little interlinkage with the market

- **Medium- and large-scale agriculture** (areas of more than 30 hectares) where farming and livestock activities are more intensive. The higher productivity and proximity to markets make this activity more profitable

- **Timber and non-timber harvesting**. This is the main cause of forest degradation. Included in this group are logging companies, small timber harvesters, native communities and non-timber harvesters (Brazil nuts, rubber and other products). Productivity is low in the cases of timber and non-timber harvesting (1 to 2m<sup>3</sup>/ha in the case of timber) and their poor access to markets makes them relatively unprofitable.

Among indirect and underlying drivers:

- **Social**: connected primarily with situations of poverty and social exclusion in the Amazon, the existence of regions that expel inhabitants and their migration to the Amazon, and population growth;

- **Economic**: due to the relatively low profit of forest activities compared to other land uses, little or no access to markets on the part of forest ecosystem goods and services, and the growing demand for products from land uses that compete with forest activities (like agro-fuels or industrial crops);

- **Institutional**, sectorial and territorial approaches of public and natural resource management policy; absence of land use planning, limited institutional capacity, little control, almost no penalization, and imperfect and incomplete allocation of rights to the forest heritage.

The Investment Plan is going to address these direct and indirect drivers of deforestation following a rationale for integral intervention. This includes cross-cutting measures for enabling conditions (governance, titling) that allow for investment in reducing pressure on forests and recovery of degraded areas, as well as in improving the competitiveness of forests.

### (b) Areas of Intervention – sectors and themes

FIP investment opportunities have been identified accordingly, considering the direct and indirect or underlying causes of deforestation and degradation, together with national legal and institutional processes. It is important to bear in mind that FIP investments will mainly target activities that result in the heaviest deforestation and forest degradation.

Based on the analysis and information described above, four complementary intervention opportunities were identified using an approach of integral intervention at the landscape level and in response to criteria showing a high potential for mitigation, replicability, creation of co-benefits and cost-effectiveness:

- Legalization, titling and registration of property rights.
- Improvement of forest and environmental governance
- Enhancement of the value of environmental assets of forests and degraded areas
- Innovation and market development

In light of the availability of resources and of potential co-financings for Investment Plan proposals, the decision was made to carry out integral pilot projects with a territorial approach in specific geographic areas, in order to maximize the program's potential effects.

<sup>1</sup>Informe Nature Services Perú 2012

<sup>2</sup>FAO, 2010. Forest Resources Assessment

Three areas of intervention were prioritized: Atalaya, Tarapoto–Yurimaguas y Puerto Maldonado-Iñapari where the FIP is expected to have the greatest impact on reduction of emissions and to produce the most social and environmental co-benefits.

The three areas constitute a representative sample of deforestation and forest degradation dynamics in the Peruvian Amazon and, for that reason, the projects to be implemented in those intervention areas will be able to be replicated and expanded in other parts of the Amazon

The following 4 projects have been identified:

• **Project 1: Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto.** The Project objective is to reduce GHG emissions produced by deforestation and forest degradation and to recover carbon reserves.

• **Project 2: Integrated landscape management in Atalaya, Ucayali Region.** The project objective is to strengthen and implement forest landscape management in order to reduce GHG emissions produced by deforestation and forest degradation and increase carbon reserves

• **Project 3: Integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amarakaeri Communal Reserve** and beneficiary communities in the Region of Madre de Dios. The project objective is to reduce GHG emissions produced by deforestation and forest degradation and increase carbon reserves.

• **Project 4: Strengthening of national forest governance and innovation.** The objective is to reinforce forest governance in implementing public policy reforms and consolidating management and financial instruments in order to make natural forests more competitive.

#### **c) Expected Outcomes from the Implementation of the Investment Plan**

The Investment Plan is going to strengthen the enable conditions (governance, innovation and land titling assignment) that allow investments focus to the reduction of the pressure on forest and the recuperation of degraded areas, as well as to activities for the development of competitiveness in the forest. The direct results of the implementation of the Plan include:

- Improvement in forest and environmental governance in the areas involved in the program
- Improvement in guaranteeing land tenure for the population and communities that depend from the forest in the areas involved in the program;
- Improvement in the enhancement of competitiveness of economical activities related to forest in the areas involved in the program;

#### **(d) Link to activities supported by FCPF and UN-REDD Programme**

The activities foreseen in the RPP, in particular the FCPF are not under implementation at the moment. Nevertheless, the RPP main objective is to support the state of Peru in the design, elaboration and implementation of the REDD+ National Strategy, in the framework of the national policies that are being implemented in the environmental and agricultural sectors following a participative process of main stakeholders.

Furthermore, the RPP implementation will support the consolidation of a monitoring, report and verification system (MRV) and the implementation of the process of public consultation for REDD+.

The project UN-REDD started with a technical cooperation for strengthening the capacity of indigenous people. The activities carried out in the last month (FIP and FCPF) have created synergies among the actions and guidelines agreed on forest and climate change activities. In this way it has been achieved a common vision for the different initiatives that will facilitate the design of the REDD+ strategy and its implementation.

## 8. Expected Key Results from the Implementation of the Investment Plan (consistent with FIP Results Framework and FIP Core Indicators<sup>3</sup>):

Result	Success Indicator
(a) i) GHG emissions produced by deforestation and forest degradation reduced and ii) carbon reserves in sustainable forest landscapes increased.	i) Net reduction of tons of CO <sub>2</sub> equivalent emissions. ii) Net tons of sequestered CO <sub>2</sub> equivalents.
(b) i) Poverty reduction among indigenous peoples and ii) local population beneficiaries of the Investment Plan.	i) Men and women's income, assets and/or access to natural resources. ii) Changes in access to basic services.
(c) i) Reduction of the loss of biodiversity and ii) maintenance of forest ecosystem services.	i) Variation in forest fragmentation (rate and area) and/or conservation rate based on demonstration plots. ii) Reduction in the rate of native forest loss in the area of FIP intervention.
(d) Enabling conditions consolidated through use of instruments, policy and institutions for sustainable forest landscape management.	ii) Approved instruments for facilitating land use planning processes. ii) Agreements between the MINAM, MINAGRI and regional governments on REDD+ matters. iii) National Monitoring, Reporting and Verification System (MRV) established.
(e) Empowerment of indigenous peoples and other local actors in forest management.	i) N° of community forest management plans with Assembly approval. ii) N° of communities participating in added-value chains. iii) Development of national legislation for community forest management. iv) Operating community forest management instruments (regulation and application). v) Percentage of indigenous women participating in the activities and decision-making of their organizations. vi) Percentage of rural women participating in the activities and decision-making of their organizations.
(f) Investment in forest governance (improvement of forest and environmental governance).	i) Forest planning agreements. ii) Operating conflict resolution mechanisms. iii) Number of conflicts handled and pending. iv) Operating forest oversight bodies. v) Community early warning anticorruption mechanisms.
(g) Investment in forest governance (improvement of forest and environmental governance).	i) Number of titles or other rights of use or access to land and natural resources granted to men and/or women. ii) Number of titles or other rights of use or access to land and natural resources granted to native communities. iii) Number of ha of legally disencumbered land.
(h) Greater competitiveness of sustainable use of timber and non-timber forest resources.	i) Venture capital earnings invested in forests. ii) Productivity increase per hectare of forest. iii) Economic profitability of activities supported by the project.
i) Innovation and impact on markets (business model and technological improvement).	i) Number of people or communities adopting innovative management technologies and models. * ii) Participation in new markets and opening of new niches. iii) Productivity Increase per agricultural production area.

<sup>3</sup>For core indicators, see annex 9.

### 9. Project and Program Concepts under the Investment Plan:

Project/Program Concept Title	M DB	Requested FIP Amount (\$)⁴			Public Sector / Private sector	Expected co financing (\$)	Preparation grant request (\$)
		Total	Grant	Loan			
Project 1: Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto	IDB	12.57M	8.17M	4.4M	Public Sector	7.3M	0.37
Project 2: Integrated landscape management in Atalaya, Ucayali Region	WB	12.6M	6.2M	6.4M	Public Sector	5M	0.4M
Project 3: Integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amaraeri Communal Reserve and beneficiary communities in the Region of Madre de Dios	IDB	12.37M	5.67M	6.7M	Public Sector	14M	0.37
Project 4: Strengthening of national forest governance and innovation	IDB	12.46M	6.76M	5.7M	Public Sector	11M	0.36
<b>Total</b>		<b>50.00</b>	<b>26.8</b>	<b>23.2</b>		<b>37.3</b>	<b>1.5</b>

⁴Includes preparation grant and project/program amount.

### 10. Timeframe (tentative) – Approval Milestones:

	FIP Sub-Committee Approval	MDB Board Approval	Expected Date of Effectiveness <sup>5</sup>
Project 1: Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto	October 2014	January 2015	May 2015
Project 2: Integrated landscape management in Atalaya, Ucayali Region	October 2014	January 2015	May 2015
Project 3: Integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amara-kaeri Communal Reserve and beneficiary communities in the Region of Madre de Dios	October 2014	January 2015	May 2015
Project 4: Strengthening of national forest governance and innovation	October 2014	January 2015	May 2015

### 11. Link with FCPF and UN-REDD Programme Activities:

Peru is developing the national strategy on climate change and the national strategic document on REDD+, in order to coordinate, integrate and complete the current sectoral and sub-national approaches linked to conservation and sustainable use of forests, including protected areas, indigenous lands and all other land use categories. In this line, REDD+ represents for Peru an opportunity to align actions in various government sectors, especially environment and agriculture, and regional governments. It is also an opportunity to align the support offered by various donors working with REDD+, as well as the actions of civil society. In this sense, the activities planned in the R-PP, UN-REDD and the Investment Plan are aligned and support the REDD+ readiness phase.

<sup>5</sup>Expected date of signature of grant or loan agreement.

## 12. Other Partners involved in design and implementation of the Investment Plan<sup>6</sup>:

In addition to the MDBs, about 30 projects connected directly or indirectly with aspects of REDD+ have been identified, financed by international cooperation agencies and other bodies (foundations, NGOs, the private sector, etc.). The amount involved is estimated at US\$241 million.<sup>7</sup> There are several pilot project initiatives, for example, that have to do with the monitoring, reporting and verification (MRV) of GHG emissions produced by deforestation and forest degradation, such as those financed by the German Development Bank (KfW), the Gordon and Betty Moore Foundation, the Japanese International Cooperation Agency (JICA) and the Hatoyama initiative. In addition, there are a number of initiatives aimed at supporting sustainable use of forest resources; examples include the National Forest Inventory financed by FAO-Finland and support projects for community forest management (CAF-MINAGRI and JICA-MINAM).

## 13. Participations with Indigenous Peoples and Local Communities:

The strong participative process, both at national and regional level, has been one of the successful aspects experienced in the preparation of the Investment Plan. More than 16 workshops have been held at national and regional level to recollect background inputs with subnational stakeholders and to socialize the Investment Plan. In the design phase of the Plan, all the main stakeholders linked with REDD+ have been involved following a clear methodology included in the Stakeholder Engagement Plan.

At national level, the inter ministerial committee of the FIP, that include representatives of the Ministry of Agriculture, Environment, Economy and Finance, Culture, has been joined by representatives of indigenous organization of the Amazon AIDESEP and CONAP. The participation of AIDESEP and CONAP has allowed an effective participation of indigenous people, in the design of the Investment Plan and create a basis for their participation in the design and implementation of the projects that are part of the Investment Plan.

## 14. Private Sector Involvement:

The assessment of the involvement of the private sector<sup>8</sup> has identified concrete opportunities for investment in projects associated with REDD+ (forest management, ecotourism, reforestation and agroforestry). Even so, there are barriers that restrict the flow of private sector investments to those activities. These include incomplete assignment of property rights, weakness of the state in tackling illegal activities (mining, illicit crops), limited access to financial services, underdeveloped value chains, and technology gaps, among other things. A portion of the funds of the Forestry Investment Program will be allocated to investments that will create enabling conditions, to allow the private sector to invest in community business development models. Another part of the funds will be earmarked for developing innovative business models. For that reason, during this phase, priority has been placed on investments targeting aspects of enabling conditions and the strengthening of national development institutions, so that they can bolster the management capacity of communities and entrepreneurs, and the promotion by the public sector of new technologies to serve as a basis for private investment in the future.

<sup>6</sup>Other local, national and international partners expected to be involved in design and implementation of the plan.

<sup>7</sup>Report INDUFOR 2012: Análisis del impacto y convergencia potencial de las acciones en marcha que inciden en la deforestación y degradación forestal – p. 2

<sup>8</sup>Nature Services Report, 2011.

## SECTION 1. DESCRIPTION OF THE COUNTRY AND SECTOR CONTEXT

### 1.1. Country context

#### 1.1.1. Territory

1. Peru is the third largest country in South America, with a total area of 1 285 216 km<sup>9</sup>. Geographically, it is divided into three large regions: a) the coastal region, in the west, is largely arid, with the exception of the valleys carved out by rivers flowing down from the Andes; b) the Andean region, consisting of the Andean mountain range that cuts across the country longitudinally; and c) the Amazon region, stretching from the eastern flanks of the Andes toward the country's northeastern, eastern and southern national borders, covers nearly 61% of the country's area (Figure 1.1). The varied topography and climates have produced a wide biophysical diversity, making Peru one of the most mega diverse countries on the planet, with 84 of the earth's 104 living zones<sup>10</sup>.

Figure 1.1. Map showing Peru's natural regions.



#### 1.1.2. Population

2. The 2007 census reveals that 54.6% of the population lives on the coast, 32% in the Andean highlands and only 13.4% in the Peruvian Amazon (Table 1.1). The latter has an indigenous population of over three hundred thousand belonging to roughly 50 ethnic groups and fifteen language families. AIDSESEP and CONAP represent this population, which is organized into more than ninety ethnic or interethnic federations grouped into regional organizations (76 affiliated to AIDSESEP).

<sup>9</sup>Brack Egg, Antonio (s.f.) La Biodiversidad del Perú y su Importancia Estratégica. Taken from: <http://www.amb-perou.fr/index.php?module=articles&controller=article&action=show&id=15>

<sup>10</sup>Mittermeier et al. Hotspots revisited: earth's biologically richest and most threatened terrestrial ecoregions

**Table 1.1. Population by geographic regions**

Regions	Population (millions of inhabitants)	Area (km <sup>2</sup> )	Population density (inhab. / Km <sup>2</sup> )
Coast	16.1	96,391	167.03
Andean	9.5	391,991	24.24
Amazon	3.9	796,834	3.03
Peru	29.5	1 285,216	22.95

Source: INEI 2007

### 1.1.3. Economy

3. For the past 15 years, Peru has been experiencing an economic boom with average growth of 7.5% per year. The exploitation, processing and export of natural resources, particularly those from mining, agriculture and fishing, have traditionally driven the country's economy. Despite the appearance in recent years of significant diversification and strong growth in sectors like agroindustry, energy, services and light industry, 24% of foreign investment in Peru goes into mining, which continues to be the principal export sector (BCRP 2012).

4. The Gross Domestic Product (GDP) in 2010 amounted to 275.7 thousand million dollars and per capita GDP to 9,200 dollars. Poverty rates in Peru have been reduced significantly over the past decade, by 14.6% between 2007 and 2011.<sup>11</sup> Nonetheless, wealth distribution is unequal, with the country's Gini coefficient standing at 0.481 (World Bank, 2010), with the result that this improvement has not been homogeneous. On average, 34% of the country's population lives in poverty and 9% in extreme poverty, but in the rural areas these figures run as high as 60% and 21%, respectively (World Bank, 2010).

## 1.2. Sector context

5. Peru, after enduring an economic crisis in the eighties and part of the nineties, has since shown steady growth, in which the percentages of GDP contributed by each of the sectors has remained unchanged, as the following table reveals:

GDP BY SECTORS (% of the total)												
Year	Agriculture	Fishing	Mining & hydrocarbons	Manufacturing	Construction	Trade	Electricity & water	Other services	Primary Sector GDP	Non Primary Sector GDP	Taxes	GDP
2000	8.9	0.6	5.5	14.9	5.0	14.3	2.1	39.2	14.9	75.4	9.7	100.0
2001	8.9	0.5	6.0	14.9	4.7	14.4	2.1	38.9	15.4	75.0	9.6	100.0
2002	9.0	0.5	6.4	15.0	4.8	14.1	2.1	38.5	15.9	74.6	9.5	100.0
2003	8.9	0.4	6.5	15.0	4.8	13.9	2.1	38.7	15.8	74.6	9.6	100.0
2004	8.4	0.6	6.5	15.3	4.8	14.1	2.1	38.5	15.4	74.9	9.7	100.0
2005	8.2	0.5	6.6	15.4	4.9	14.0	2.1	38.4	15.4	74.7	9.9	100.0
2006	8.3	0.5	6.2	15.4	5.2	14.5	2.1	38.1	15.0	75.3	9.7	100.0
2007	7.9	0.5	5.8	15.7	5.6	14.6	2.1	38.3	14.2	76.3	9.5	100.0
2008	7.7	0.5	5.7	15.6	5.9	15.0	2.0	37.9	13.9	76.5	9.6	100.0
2009	7.8	0.4	5.7	14.3	6.2	14.9	2.0	39.2	14.0	76.6	9.4	100.0
2010	7.5	0.3	5.2	15.0	6.7	15.0	2.0	38.7	13.1	77.3	9.6	100.0
2011	7.2	0.4	4.9	14.8	6.5	15.2	2.0	39.3	12.6	77.8	9.6	100.0

Source: BCR

<sup>11</sup>National Institute of Statistics (2011). Encuesta Nacional de Hogares (ENAHOG), 2007 – 2011. Taken from: <http://inei.inei.gob.pe/inei/siemweb/publico/>



### 1.2.1. Agriculture and livestock

6. Some 5.5 million hectares (4.3% of the country's area) are farmed in Peru.<sup>12</sup> The land classified as agricultural consists of 1.6 million hectares on the coast, 1.3 million in the highlands and 4.6 million in the Amazon jungle. Another 5.4 million hectares in the jungle are suitable for grazing (ONERN, 1982).<sup>13</sup> The shortage of farmland on the coast and in the highlands is one of the causes spurring the migration of rural inhabitants from the Andes to the Amazon, where public land can be obtained at a minimum cost through disorderly occupation processes.

7. In the Amazon, agriculture takes the form of subsistence farming for the most part and/or targets the local and domestic markets only. Commercial farming for agro-export is practiced to a far lesser degree, but includes important crops like coffee, cocoa and others. The recent national agricultural census, comparing the current situation with that of 1994, reveals an increase in the number of farming units in all Amazon departments, particularly in San Martín (close to 50%) and Amazonas (nearly 40%); in Loreto, Madre de Dios and Ucayali, that growth exceeds 20%. San Martín reports the doubling of its livestock population and growth of cattle ranching in the Amazon is strong in general (59%).<sup>14</sup>

### 1.2.2. Forestry<sup>15</sup>

8. Peru has 73.3 million hectares of forests, of which 53.4 million hectares are lower amazon forests and 15.7 million, upper amazon forests, corresponding to 94% of Peru's total forests. With this forested area, Peru ranks second in South America and ninth at the world level in area of natural forests. According to the major land capability classification, 80.1% of the country's total area is suitable for forest production and protection lands, while only 5.9% is suitable for cropland and 13.9% for pastures and stock grazing activities.<sup>16</sup>

9. Forest production covers a wide range of activities, consisting primarily of logging, but also extends to the harvesting of non-timber forest products and wildlife, as well as forestry plantations. Despite its practice over a large area of the county, the forest sector contributes 1.1% (1,700 million dollars at 2010) of the Gross Domestic Product (GDP) and receives only 0.01% of foreign direct investment (FDI).

10. Although the country has 39 million hectares of forests suitable for timber harvesting barely 7.4 million hectares are being logged under forest timber concessions. Of Peru's 2,500 forestry species, only about 600 timber species have been duly classified and of these just 195 are being exploited (Lima Chamber of Commerce - CCL). According to the Ministry of Agriculture's (MINAGRI, 2010) General Forestry and Wildlife Bureau (DGFFS) and the publication *Perú Forestal en Números* (2011), between 70% and 90% of the almost 8 million cubic meters of timber produced is used by rural households for firewood; and 2.17 million m<sup>3</sup> of roundwood are harvested, of which 0.78 million m<sup>3</sup> are used to produce sawtimber and plywood. Over two-thirds of the country's processed wood comes from four departments (Ucayali, Loreto, Madre de Dios and Junín).

11. An important element --although one not represented in economic figures-- is the role played by forests as a means of subsistence for rural population of the Amazon (including native and riverine mestizo communities), whose use of the resources of the Amazon forest and floodplain ecosystems is traditional. The forests also contribute, to a lesser extent, to fulfilling the needs of the new colonizers. They provide ecosystem services that are not quantitatively acknowledged, like water provision and erosion control, but which notwithstanding are not any less important. Furthermore, Peru's forests serve as one of the most important land sinks for greenhouse gases (GHG), contributing to the removal of large amounts of those gases (53.54 Gg of CO<sub>2</sub>e per year).<sup>17</sup>

### 1.2.3. Tourism

12. Peru's tourism accounted for 6.5% of the Gross Domestic Product in 2007 (MINCETUR, 2011). Over the past five years, incoming tourism has shown average growth of 13%, rising from 1.72 million arrivals in 2006 to 2.6 million in 2011 and producing an increase in foreign tourist earnings from 1.7 to 2.9 thousand million dollars over the same period. Some 429,000 direct jobs and 90,000 related enterprises were created in 2007 (MINCETUR, 2011). Although the greater part of that movement consists of cultural visits, nature tourism, particularly visits to protected Amazon areas and lodges, is showing heavy growth and producing a positive socio-environmental impact. By way of example, the Posada Amazonas lodge in Madre de Dios has increased the earnings of 180 fa-

<sup>12</sup>United Nations Development Program – UNDP (2009). Informe de Síntesis sobre asuntos clave relacionados al sector de la agricultura (Adaptation). Author: Remigio, J. Report prepared for the Project, Second Peruvian National Communication to the United Nations Framework Convention on Climate Change. United Nations Development Program (UNDP), Bureau for Development Policy – Environment and Development Group, Lima: UNDP

<sup>13</sup>Oficina Nacional de Evaluación de Recursos Naturales. 1982. Clasificación de las tierras en el Perú

<sup>14</sup>IV National Agricultural Census- CENAGRO, Resultados Preliminares. PCM. December 2012.

<sup>15</sup>Indigenous organizations indicate that part of their lands are recognized as being under legal land-use, rather than property, allocation.

<sup>16</sup>Oficina Nacional de Evaluación de Recursos Naturales. 1982. Clasificación de las tierras en el Perú

<sup>17</sup>National Inventory of Greenhouse Gases, 2000

milies belonging to the Infierno Native Community by 30% (Holle y Huayca, 2012). Ecotourism on the Tambopata River has a Net Present Value (NPV) of \$1,158 per hectare, making it the most profitable use of the forests in that basin (Kirkby et al, 2010).

#### 1.2.4. Mining and hydrocarbons

13. The mining sector has historically been extremely important to the country's economy. Peru is today Latin America's foremost producer of gold, zinc, tin and lead and second most important producer of copper and silver. This sector contributes 5.25% of the country's GDP and accounts for 63.1% of the value of its exports (BCRP 2012). It is also responsible for over 15% of the taxes collected. In addition, it contributes heavily to the development of the regions where its practice is important, via the canon and royalties paid to those regions.

14. Hydrocarbon activities are confined for the most part to the country's northern coast and Amazon region. There are important gas fields in the south (Camisea, in Cusco's Urubamba valley) and the principal oil production operations take place in the northern jungle, in Loreto, where final production is confined to a very small portion of the total concession area.

15. Socio-environmental conflicts over mining and hydrocarbon activities account for 65.2% (148 cases) of the total conflicts recorded by the Office of the Ombudsman in December 2012. Of these, 70.9% (105 cases) were mining conflicts, followed by 16.2% (24 cases) of conflicts over oil and gas activities.<sup>18</sup>

### 1.3. Deforestation, degradation and emissions

#### 1.3.1. Deforestation and forest degradation

16. Deforestation analyses focus on the Amazon region, because it contains over 94% of Peru's forests. Annual deforestation of Amazon forests over the period of 2000-2009 averaged close to 110,000 hectares, equivalent to an annual deforestation rate of 0.14%<sup>19</sup>. This rate places Peru fourth among the seven Amazon countries (FAO 2010)<sup>20</sup>, below Brazil, Venezuela and Bolivia.

17. The findings of these analyses also reveal cumulative deforestation to have been heaviest in the upper amazon, where migration has historically been most prevalent. The new deforestation fronts today are to be found in the lower amazon, where new highways have been built to further the region's integration.

18. Deforestation is heaviest in small farming areas. Fully 75% of the country's deforestation can be attributed to the opening of spatially discontinuous areas about half a hectare in size.<sup>21</sup> Migrants from other regions or recent settlers are the responsible parties, as a result mainly of the opening or improvement of communication routes in environments where governance is weak.<sup>22</sup>

19. As displayed in Table 1.3, all categories of forest are subject to different levels of deforestation. In absolute terms, the largest deforested area occurred in forest areas without forest rights assigned, followed by private lands, while the territorial reserves had the lowest deforestation. Nonetheless, analyzing annual deforestation rates, the private lands rank first, followed by reforestation concessions and the lowest annual deforestation rates occurred in protected areas and territorial reserves.

---

<sup>18</sup>Defensoría del Pueblo, Adjuntía para la Prevención de Conflictos Sociales y la Gobernabilidad. Reporte de conflictos sociales N° 106. December 2012. <http://www.defensoria.gob.pe/conflictos-sociales/objetos/paginas/6/51reporte-mensual-de-conflictos-sociales-n-106-dicie.pdf>

<sup>19</sup>Informe Nature Services Perú 2012

<sup>20</sup>FAO, 2010. Forest Resources Assessment

<sup>21</sup>Diagnostico INDUFOR, Componente III, 2012.

<sup>22</sup>Geist & Lambin, 2002. Proximate causes and underlying driving forces of tropical deforestation. *Bioscience*, 52(2).

**Table 1.3.: Annual deforestation rates in Peru's Amazon, by land use category and type of forestland tenure**

Land use category and type of tenure		Remaining forests		Annual Deforestation Rate
		2000	2009	
Private and Community holdings <sup>23</sup>	Rural holdings	649,083	515,765	2.27%
	Farming Communities	1,053,788	1,026,937	0.26%
	Native Communities	11,510,213	11,383,967	0.11%
Production <sup>24</sup>	Timber Concessions	7,413,846	7,364,880	0.07%
	Permanent Production Forests (non-concession)	9,552,645	9,463,294	0.09%
	Non-timber concessions	889,758	886,019	0.04%
	Reforestation concessions	132,665	123,121	0.74%
Conservation	Protected Natural Areas	16,885,055	16,848,661	0.02%
	Conservation and Ecotourism Concessions	710,556	701,012	0.14%
Special treatment <sup>25</sup>	Territorial Reserves	1,820,519	1,817,439	0.02%
Forest areas with no assigned forest rights		20,806,729	20,305,072	0.24%
<b>TOTAL PERUVIAN TROPICAL FORESTS</b>		<b>71,424,855</b>	<b>70,436,169</b>	<b>0.14%</b>

Rate calculated according to the FAO formula, 1995

### 1.3.2. Direct Drivers of Deforestation and Forest Degradation

20. The direct drivers of deforestation and/or forest degradation are the individuals, enterprises or communities whose activities bring about a change in land use from forestland to non-forestland or reduce forest carbon reservoirs without causing a change to non-forestland use (IPCC 2006). These activities can be legal or illegal.<sup>26</sup> In the Peruvian Amazon, the following direct drivers are responsible for most of the deforestation and forest degradation:

21. Traditional small-scale farming is the primary driver of deforestation in Peru's Amazon. Farm holdings among this group, on which traditional extensive agriculture is practiced, average between 5 and 30 hectares. Low productivity and little interlinkage with the market produce low returns. Expanding agricultural production among this group is based, for the most part, on increasing the production area by converting the land use of forest areas. These producers employ a diversified production strategy by practicing a variety of activities, including: annual crops (rice, cassava, and corn) and perennials (coffee, cocoa, oil palms), cattle breeding, and forestland use (timber and non-timber products).<sup>27</sup>

22. Medium- and large-scale agriculture. This group is responsible for a smaller percentage of total deforestation in the Peruvian Amazon. It includes areas of more than 30 hectares where farming and livestock activities are more intensive. The higher productivity and proximity to markets make this activity more profitable. Industrial agriculture (agro-exports, oilseeds and biofuels) belongs to this group, whose expansion of farming and livestock production is based on two strategies: raising land and labor productivity and increasing the production area by converting forestlands to other uses. These producers, unlike traditional small farmers, primarily practice monocultivation (oil

<sup>23</sup>Forests inside private rural holdings or farming or native community lands.

<sup>24</sup>Forests that according to the Forest and Wildlife Law No. 29762 are intended for the production of timber and other forest products and the provision of ecosystem services.

<sup>25</sup>Territorial reserves for indigenous peoples in isolation or in initial contact (Law 28736)

<sup>26</sup>An example of an illegal activity that causes deforestation is coca leaf cultivation by small producers. According to the United Nations Office on Drugs and Crime (UNODC), in 2010, 61,200 hectares were occupied by coca leaf plantations, 15 thousand hectares more than in 2001, which suggests an annual growth rate of 1,500 hectares.

Another example is the informal alluvial gold mining that takes place in the department of Madre de Dios. It has been estimated that gold mining caused the deforestation of over 25 thousand hectares of forests in Madre de Dios between 2005 and 2009.

<sup>27</sup>White et al. 2005. Alternatives to slash and burn agriculture in Peru. ICRAF

palms, for example).

23. Timber and non-timber harvesting. This is the main cause of forest degradation. Included in this group are logging companies, small timber harvesters, native communities and non-timber harvesters (Brazil nuts, rubber and other products). Forest degradation in this case is the end result of selective timber harvesting for lumber and firewood and non-timber products (Brazil nuts, rubber and other products). Productivity is low in the cases of timber and non-timber harvesting (1 to 2m<sup>3</sup>/ha in the case of timber) and their poor access to markets makes them relatively unprofitable.

### 1.3.3. Indirect Drivers of Deforestation

24. The broad array of indirect or underlying drivers can be classified into the following groups: (1) social factors, connected primarily with situations of poverty and social exclusion in the Amazon, the existence of regions that expel inhabitants and their migration to the Amazon, and population growth; (2) economic factors, like the relatively low profit of forest activities compared to other land uses, little or no access to markets on the part of forest ecosystem goods and services, and the growing demand for products from land uses that compete with forest activities (like agro-fuels or industrial crops); (3) institutional factors, such as: lack of integrated sectorial and territorial approaches related to natural resource management; absence of land use planning, limited institutional capacity, lack of efficient command and control measures, and imperfect and incomplete allocation of rights to the forest heritage.

25. The underlying causes can also be understood as failures in coordination attributable to, for example, the establishment of incoherent policies; failures in cooperation, as between the public and private sectors; and market failures resulting in the low level of competitiveness of forests with other land uses, at least in the short term, for, as things stand, forests do not produce sufficient economic returns.

### 1.3.4. Greenhouse Gas (GHG) Emissions

26. Net Peruvian GHG emissions are estimated to total 138 million tons of CO<sub>2</sub>e. The National Inventory of Greenhouse Gas Emissions (2000) reveals that the main source of GHG emissions at the national level is the conversion of forests, as a result of land use change, mainly in the Amazon, while the principal and only source contributing to the removal of GHG are changes in forest biomass and other woody stocks. The net emissions of 56,827 Gg of CO<sub>2</sub>e associated with land use or land-use change (LULUCF – land use and land-use change and forestry) are the difference between those two sums. Considering only emissions (without including removals), deforestation of the LULUCF sector is responsible of 41% of total national GHG emissions.

Agriculture is the second largest contributor, adding 26 948 Gg of CO<sub>2</sub>e to the country's total, while energy is third in importance, being responsible for 24 085 Gg of CO<sub>2</sub>e.

**Table 1.4. Contribution to total emissions by sector/emission source**

Sector/Emission Source	Gg of CO <sub>2</sub> e	%
Energy	24 085	17%
Transportation	14 848	10%
Industrial Processes	5190	4%
Agriculture	26 948	20%
LULUCF	56 365	41%
Waste	10 553	8%
Total	137 989	100%

Source: CC Draft Plan 2013, updating of the GHG inventory.

#### 1.4. REDD+ implementation in Peru

27. Peru today is in the process of designing the national climate change strategy and the national REDD+ strategy document, in order to coordinate, combine and complement current sector and sub-national approaches to the conservation and sustainable use of forests, including protected areas, indigenous lands and permanent production forests. For Peru, the REDD+ mechanism represents an opportunity to align efforts in the various sectors in order to maintain forest carbon reservoirs.

28. Peru is a pilot country in the Forest Carbon Partnership Facility (FCPF) and, as such, is currently making preparations for REDD+. Inter-sector guidelines have been defined in this framework for updating the Readiness Preparation Proposal (R-PP) following a broad participatory process coordinated mainly through roundtables with the different public and private actors (the National REDD+ Group and seven Regional REDD+ Roundtables) and indigenous organizations. A Technical REDD+ Group has been set up within the framework of the National Commission on Climate Change and work is underway on the preparation of an updated version of the R-PP, planned for the second half of 2013. The process has been carried out in close coordination and in parallel with the preparation of the Forest Investment Plan (PIF), an input for the design of the national REDD+ strategy document, in which indigenous organizations are participating through the National REDD+ Amazon Native Peoples Roundtable (RIA), and other civil society actors.

29. The REDD+ approach will be coordinated with the National Strategy on Climate Change --currently being updated (MINAM, 2012)<sup>28</sup> -- given the importance of the land-use change and forestry sector in the national context. At the same time, the Forest Investment Plan will take steps to reduce emissions and increase carbon reservoirs in pilot areas, in line with proposed strategy measures and particularly with the objectives of mitigation efforts. The Forest Investment Plan is also in line with the principles of the National Forest and Wildlife Policy and Plan, regional government plans and policy, the plans of other sectors and cooperation projects on forest issues, forests and climate change underway or being prepared. To that end, an effort will be made to establish coordinated efforts with the executor units of those plans, programs and projects.

---

<sup>28</sup> Perú. Ministerio del Ambiente, Dirección General de Cambio Climático, Desertificación y Recursos Hídricos (2012) Riesgos Climáticos y Avances en la Política Pública en Adaptación al Cambio Climático. Taken from: <http://www.ceplan.gob.pe/documents/10157/ffa9fe3f-6997-4d09-ac00-6485c1bb4318>

## SECTION 2. IDENTIFICATION OF OPPORTUNITIES FOR GREENHOUSE GAS REDUCTION

### 2.1. Specific opportunities for emission reduction

30. The studies carried out at national level on the drivers of deforestation and forest degradation<sup>29</sup> (described in section 1.3) highlight the need to confront the direct and underlying causes of deforestation and degradation through an integrated approach to landscape level, consider these causes and measures to address each in synergy between different land uses, its actors and its potential. Nevertheless, the approach traditionally used by the state has been sectoral and uncoordinated, thus limiting the effects of a series of correct, but sector-oriented, interventions. The lack of a national forest conservation strategy (National REDD+ Strategy) is a reflection of this situation.

31. The most important challenge is to demonstrate through good management in the field itself that it is possible to improve the lifestyle of rural populations, respect the rights of indigenous peoples to conserve biodiversity and to create wealth through the various different ways of using forest ecosystems and their resources both directly and indirectly and, at the same time, reduce external pressures that contribute to deforestation and degradation that are, for the most part, economic and institutional in nature.

32. FIP investment opportunities have been identified accordingly, considering the direct and indirect or underlying causes of deforestation and degradation, together with national legal and institutional processes. It is important to bear in mind that FIP investments will mainly target activities that result in the heaviest deforestation and forest degradation. The following table summarizes the analytical process followed to identify opportunities for reducing emissions in Peru:

**Table 2.1. Identification of opportunities for reducing emissions and causes of deforestation and degradation.**

Causes of deforestation and degradation	Current Situation	FIP Opportunity				
		Land tenure	Governance	Value enhancement	Innovation	
Direct	Expansion of the farming and livestock frontier	Small-scale farming practiced by farmers with few economic resources causes approximately 75% of the deforestation.	X	X	X	X
	Timber harvesting	Principal cause of degradation. Illegal logging is a constant problem because of the limited capacity for its control and monitoring.		X	X	
	Mining	The deforestation due to mining is happening in the various regions of the Amazon and particularly in one sector of the Madre de Dios region.	The Investment Plan, because of its high cost and limited effectiveness, did not consider this activity. The Peruvian government is at present engaged in its formalization.			
	Construction of infrastructure	Mainly through the building of highways and megaprojects.	The environmental effects of this activity are considered in the legally regulated Environmental Impact Studies. But recognizing the indirect impacts of the construction of roads in the Amazon which should be addressed by the aspects mentioned in the indirect causes.			

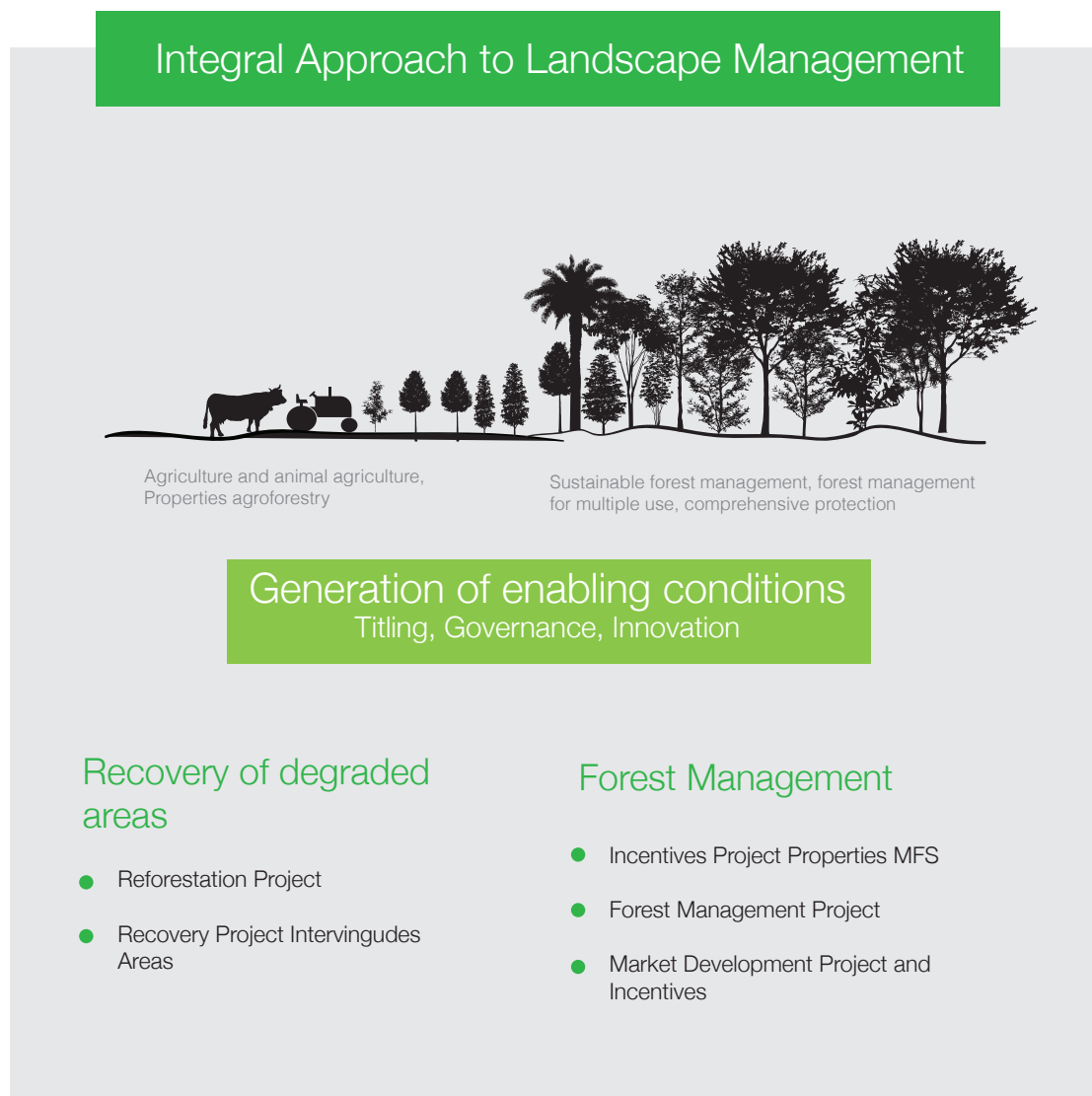
<sup>29</sup>MINAM Website: [cambioclimatico.minam.gob.pe](http://cambioclimatico.minam.gob.pe)

Causes of deforestation and degradation		Current Situation	FIP Opportunity			
			Land tenure	Governance	Value enhancement	Innovation
Indirect or underlying	Weak governance (new institutions, limited capacity for public management and control, legislation)	Confusing definition of institutional areas of responsibility among the sectors and a premature decentralization process and limited jurisdictional competence for natural resource management.		X		
	Undefined land tenure	The heaviest deforestation and degradation in the Amazon are to be found in areas without assigned rights.	X			
	Limited access to financing and incipient and inappropriate technology for increasing land productivity	Little or no accessibility to financing and limited technical assistance for obtaining suitable technology results in a loss of soil fertility, which in turn triggers the movement of farming and livestock activities to forested areas.			X	X
	Market failures: low level of competitiveness of forest resources and ecosystem goods and services that are not valued	Small farmers obtain more income from agriculture than from forestry activities; this is instrumental in their decision to drive deforestation.			X	X
	Accessibility via new highways	The greatest indirect impact on increasing deforestation is to be found around highways and is moved ahead by the arrival of new migrants, mainly from the Andean area.	X	X	X	X
	Migratory flows from the Andes to the Amazon.	High poverty levels and a lack of opportunity are the main factors triggering the migration of Andean dwellers to the Amazon.	The Peruvian Government is implementing policy measures and making investments to improve economic conditions in the Andean regions and thereby disincentivate migration to other regions.			



33. Based on an analysis of the analysis and information cited in the above table, four complementary intervention opportunities were identified using an approach of integral intervention at the landscape level (Figure 2.1) and in response to criteria showing a high potential for mitigation, replicability, creation of co-benefits and cost-effectiveness:

**Figure 2.1. Integral approach to landscape management.**



Source: self prepared.

34. The rationale for integral intervention includes cross-cutting measures to produce enabling conditions (governance, titling) that allow for investment in reducing pressure on forests and recovery of degraded areas, as well as in improving the competitiveness of forests. It is important to stress that the investment periods run simultaneously --in other words, that investment in enabling conditions is not necessarily a precondition for investment in increasing the competitiveness of forests and degraded areas.

<sup>30</sup>AIDSESEP and CONAP point out a pending demand for defining land tenure of several hundreds of communities that have not yet started their titling process and establishment of additional territorial reserves for isolated communities.

<sup>31</sup>Source: Nature Services 2012

<sup>32</sup>Organizations representing indigenous peoples recommend that land titling be carried out as stipulated by Law 22175, in keeping with ILO Convention 169.

<sup>33</sup>Deforestation in the Latin American countries has served as an instrument for claiming and obtaining legal land titles. This "fight for a land title" is commonplace in countries where borders are basically open to anyone wishing to claim land. These lands are usually already occupied by native communities that do not yet possess legally established rights to them and that must confront squatters seeking to seize their lands. This "fight for a land title" produces deforestation and touches off serious social disputes.



35. The opportunities identified are described below:

36. **Opportunity # 1: Legalization, titling and registration of property rights.** In the Peruvian Amazon, there are 25 million hectares of forestlands to which no legal rights have been allocated. A large part of this area has been settled from time immemorial by indigenous peoples who claim title to these lands<sup>30</sup>. Today, these areas are being heavily deforested, at an annual deforestation rate of 0.2% in territories without allocated rights, compared with an average rate for the country of 0.14%.<sup>31</sup> Allocation of property rights, especially in forestlands without allocated forest rights,<sup>32</sup> is essential if emissions stemming from deforestation and forest degradation<sup>33</sup> are to be reduced.

37. Judicial assurance of rural land tenure, especially of native communities with land claims awaiting decisions by the state (as AIDSESEP and CONAP point out), is an enabling condition for a significant percentage of public forest conservation policy. Judicial assurance of rural lands permits the use of forest resource management instruments, such as, for example, monitoring, enforcement and compliance with laws for the protection of forest resources, as well as policy for incentivating sustainable forest use (for example, community forest management, program of payments for environmental services).

38. **Opportunity # 2: Improvement of forest and environmental governance.** Practical experience and several empirical evaluations of programs for reducing deforestation and degradation indicate that REDD+ implementation requires the existence of a governance structure at the national and regional levels that will make it possible to implement the management policies and instruments that will produce effective, efficient and equitable results in terms of reducing deforestation and recovering degraded areas. As in the case of land tenure, forest and environmental governance is an enabling condition for forest conservation policy (CIFOR, 2010 – p. XXII).

39. Investment opportunities have to do with upgrading institutional capacity to allocate rural property rights, manage forest and environmental resources, manage indigenous territories, and supervise, control and monitor national and sub-national deforestation and degradation. Preparation of the investment plan has revealed the existence of multiple opportunities for investment in policy conducive to accessible and transparent debate between sectors, between different government levels (national and sub-national) and between the government and civil society.

40. **Opportunity # 3: Enhancement of the value of environmental assets of forests and degraded areas.** Complementing the opportunities described above, it is necessary to promote economic activities that provide for social inclusion processes, betterment of income and sustainable use of forest resources, such as management of alternative crops, value-added activities and multiple crops. The diagnoses made for the Investment Plan reveal that low value-added products are dominating value chains associated with sustainable use of forest and agroforestry resources, as well as economic activities relating to the recovery of degraded areas. As a result, these activities are not able to compete with other, more profitable economic activities that result in deforestation or forest degradation (traditional stockbreeding, for example).

41. Investment opportunities will depend upon making sustainable forest resource use more competitive through promotion of productive organization (associative or other forms of community organization for production purposes), development of an entrepreneurial management capacity (life plans and business plans), adoption of new technologies (strategic inputs for production, training of specialized labor and technical assistance for production, processing and marketing) and help in the establishment of links between communities and producers' associations and markets for products and services with a high value added (non-timber products, ecotourism, agroforestry products, etc.).

42. **Opportunity # 4: Innovation and market development:** Lack of innovation in management (business models) and technology (appropriate, carbon positive technologies that boost land productivity) has become an obstruction to increasing productivity and development of value chains. Important, but still early, associative experiences (coffee, cocoa and service groups and production chains), despite operating with high transaction costs for their members, reveal the feasibility of operating with economies of scale, diversifying risks, and acceding to more and better markets and to entrepreneurial development services.

43. Creating greater value through innovation in these two areas and in the value chains of the main products could reduce the pressure on forests to produce more value per land area, provided that, at the same time, forest planning and improvement of governance are undertaken in the intervention areas, the capacity to enforce regulations is bolstered, local environmental management is improved, monitoring systems are developed for evaluating compliance with results and targets, and a system of incentives is promoted, subject to the fulfillment of forest planning commitments assumed by all important actors.

## SECTION 3. LEGAL AND INSTITUTIONAL FRAMEWORK

### 3.1. Legal and Institutional Framework for REDD+

44. The legal and institutional framework for REDD+ is still under construction at both the national and sub-national levels. At present, approval of the National Strategy on Climate Change and preparation of the national REDD+ strategy are still pending. Even so, the country has made advances in preparing its sectoral institutional and regulatory framework in regard to deforestation and degradation. The following table shows the sector institutions with responsibilities relating to REDD+ objectives:

**Table 3.1. National institutions concerned with REDD+ matters**

Sector	Institution	Function	Role*
Central Government Authorities			
Agriculture and Irrigation	Ministry of Agriculture and Irrigation (MINAGRI)	Governs National Agrarian Policy with regard to physical and legal disencumbrance and formalization of agrarian property, including lands held by native communities and private rural holdings. The MINAGRI is currently identifying the new institutions that will define the policy on titling.	R
	National Forest and Wildlife Service (SERFOR) (to be set up upon approval of the regulations for Law 29763).	Governs the National Forest and Wildlife Management Service (SINAFOR) and is its national technical-regulatory authority, responsible for issuing regulations and establishing procedures within its area of jurisdiction. Its advisory body is the National Forest and Wildlife Commission (CONAFOR).	R
	General Forest and Wildlife Bureau (DGFFS)	Responsible for the formulation of national policy, strategies, plans and programs for sustainable use of forest and wildlife resources and associated genetic resources. The DGFFS also coordinates effective implementation of those policies, including forest investments, with regional forest and wildlife authorities. Those functions will be assumed by SERFOR.	R
	National Institute for Agrarian Innovation (INIA)	Responsible for boosting national innovation of agrarian technology, in order to augment productivity and become more competitive, enhance the value of genetic resources, and achieve sustainable agricultural and forest production.	R/E
	National Water Authority (ANA)	Responsible for taking action as needed for sustainable, multi-sector use of water resources by watersheds, within the framework of integrated natural resources management and of national environmental quality management through the establishment of strategic alliances with regional governments.	R

Sector	Institution	Function	Role*
Central Government Authorities			
Agriculture and Irrigation	Rural Agrarian Productive Development Program (AGRORURAL)	Specialized in fighting rural poverty, initially in the Andes, but now moving into the Amazon by boosting strategies, activities and mechanisms for increasing the earnings and improving the quality of life of rural families.	E
	Program of Compensation for Competitiveness (AGROIDEAS)	Operates at the national and regional levels by granting resources to support entrepreneurial management, associative organization and adoption of technology for sustainable business operations involving organized small and medium-scale agricultural, livestock or forestry producers, in order to make them more competitive and consolidate their participation in the market.	E
	General Bureau of Environmentally-related Agrarian Matters – DGAAA	<ul style="list-style-type: none"> <li>- Approves Environmental Impact Studies for the agricultural sector; performs environmental audits of agricultural and agro-industrial projects and activities, and others concerning renewable natural resources within its sphere of competence.</li> <li>- Approves the classification of lands by major land use.</li> </ul>	R
Culture	Vice-Minister for Interculturality	Governing body for indigenous matters that is in charge of designing and formulating public policy on interculturality and the authority on matters of prior consultation.	R
Economy and Finance	Ministry of Economy and Finance, Vice-Ministry of Economy	Governing body responsible for designing and implementing national economic and financial policy, with a view toward achievement of economic well-being. The FIP focal point is the General Bureau of International Economic Matters, Competition and Productivity.	R
Office of the Chairman of the Council of Ministers	Supervisory Body for Forest and Wildlife Resources (OSINFOR)	Body responsible for supervision and oversight of the sustainable use and conservation of forest and wildlife resources, as well as for forest-generated environmental services that have enabling instruments.	C
Environment	Ministry of the Environment (MINAM)	Governing body of the environmental sector that promotes conservation and sustainable use of natural resources, biological diversity and protected natural areas. It is the national environmental authority and the Focal Point for international negotiations on Climate Change. The MINAM is also responsible for putting forward technical aspects relating to REDD+ and for coordinating with the pertinent public and private, national and sub-national (regional) institutions.	R

Sector	Institution	Function	Role*
Central Government Authorities			
Environment	General Bureau of Climate Change, Desertification and Water Resources (DGCCDRH)	Responsible for formulating national policy and regulations on climate change management in coordination with the pertinent entities. It is the designated National Authority for compliance with the commitments assumed under the United Nations Framework Convention on Climate Change.	R
	Rural Agrarian Productive Development Program (AGRORURAL)	Specialized in fighting rural poverty, initially in the Andes, but now moving into the Amazon by boosting strategies, activities and mechanisms for increasing the earnings and improving the quality of life of rural families.	E
	General Buevreau of Land Use Planning (DGOT)	Responsible for environmental mapping and zoning.	R
	General Bureau of Natural Heritage Assessment, Enhancement and Financing (DGEVFPN)	Formulates and promotes national policy, plans and instruments for the assessment and enhancement of the value of natural resources, biological diversity and environmental services and their degradation and proposes their approval.	R
	National Forest Conservation Program for Climate Change Mitigation (PNCBMCC)	Subordinate to the MINAM Vice-Ministry of Strategic Natural Resource Development, it was created to contribute to the conservation of 54 million hectares of tropical forest, as a contribution to climate change mitigation and sustainable development.	R
	National Natural Protected Areas Service (SERNANP)	Specialized public agency attached to the organizational structure of the Ministry of the Environment, whose primary function is to manage the National Natural Protected Areas Service (SERNANP) on behalf of the state and to ensure the operation of those areas as a unified system. To that end, it promotes, grants and regulates environmental service rights and other similar mechanisms created within the sphere of natural protected areas at the national level.	R/E
	Office of Environmental Assessment and Control (OEFA)	Governing body of the National Environmental Assessment and Control System (SINEFA). It exercises environmental assessment, supervision, and control and applies incentives in that area, in accordance with the environmental regulations established in Law 29325, the National Environmental Assessment System Law.	C

## Sub-national Authorities

	Regional Governments	<p>Their responsibilities include:</p> <ul style="list-style-type: none"> <li>• Physical and legal disencumbrance of rural property, including that of farming and native communities and land belonging to the state.</li> <li>• Preparation of the cadastre during formalization processes.</li> <li>• Administration of government-owned lands within its jurisdiction.</li> <li>• Land Use Planning (Economic and Ecological Zoning).</li> <li>• Regulation of forestry activities within its jurisdiction by granting forest licenses, authorizations and concessions and carrying out promotional and control activities. These functions have been transferred to 6 regions: Loreto, Ucayali, Madre de Dios, San Martin, Amazonas, and La Libertad.</li> <li>• Processing and evaluation of private investment initiatives in region-wide irrigation projects, in order to advance the agricultural frontier (DL 994).</li> <li>• Surveillance and control measures to guarantee sustainable use of the natural resources under its jurisdiction.</li> </ul>	R/E
	Forest and Wildlife Management Units (UGFFS)	The regions' territorial organizations for management, administration and public control of forest and wildlife resources. They operate under the aegis of each regional government.	E
	Regional Bureau of Agriculture (DRA)	<p>Decentralized body subordinate to the Office of the Presidents of the regional governments. It promotes agricultural production activities and is the principal regional coordinating body of the Ministry of Agriculture, its projects and its decentralized public agencies.</p> <p>The regional governments' agricultural bureaus are also responsible for implementation of physical and legal disencumbrance policy and formalization of rural agricultural property.</p>	R/E
	Regional Environmental Authorities (ARA)	Decentralized bodies subordinate to the Office of the Presidents of the regional governments. They are responsible for specific functions in regard to environmental matters, protected areas and land use planning. These bodies are governed by the stipulations of the Environmental Management Law and other provisions that regulate the Regional Environmental System.	R/E

\*R = Regulatory; E = Executor; C = Control

45. There are also vehicles for inter-institutional coordination at the national and local levels, where natural resource management initiatives are combined, including early REDD initiatives. They are summarized in the following table.

**Table 3.2. Vehicles for coordination on REDD+ issues**

Vehicle	Description
Amazon Interregional Council (CIAM)	Interregional coordination board whose purpose is to promote sustainable, inclusive and competitive development in the Peruvian Amazon. CIAM supports institutional reform in each region, in order to take a territorial and integral approach to the management of environmental matters and renewable natural resources. Its areas of jurisdictional competence include forestry matters, protected areas, environmental management and also land use planning.
National REDD+ Group	Vehicle for dialogue between different public and private organizations interested in REDD+ issues in Peru, grounded in the voluntary participation, transparency, good faith and commitment of the parties. The REDD+ Peru Group plays several roles --influential, advisory and informative-- in regard to the national REDD+ process.
National REDD+ Amazon Native Peoples Roundtable (RIA)	Vehicle made up national indigenous organizations (AIDSESEP and CONAP) for the purpose of sharing information and drawing up proposals within the framework of REDD+ Peru. Its functions consist of: a) preparing full life plans for each indigenous population, including territorial assurance as an REDD+ precondition, early safeguard and indicator; b) holistic management of their territories and all of their services; c) Ecosystem macro measurement; d) compensation using public funds; e) reduction of deforestation drivers; and f) GHG reduction.
Regional REDD+ Roundtables	Vehicle for regional coordination led by the regional government. Its function is similar to that of the National REDD Group, but exercised at the level of each individual region.
Forest and Wildlife Management Committee (CGFFS)	Vehicle for the participation of forest users, local communities, producers, local governments, civil society representatives and representatives of other public and private organizations that operate within a given UGFFS.
Regional Environmental Commissions (CAR)	Multi-sector environmental management bodies responsible for coordinating and harmonizing environmental policy for the region. They promote dialogue and agreement among the public, private and civil society sectors.
Municipal Environmental Commissions (CAM)	Environmental management bodies created by provincial and district municipalities to coordinate and harmonize municipal environmental policy. They promote dialogue and agreement among the public, private and civil society sectors. Their environmental policies are coordinated with the Regional Environmental Commissions and the MINAM.

46. Peru is currently undergoing a public forest management reform in response to internal demands of forest actors like indigenous populations<sup>34</sup> and other forest users (private sector), Non-Governmental Organizations (NGOs), sub-national governments (regional and local governments) and international commitments.<sup>35 36</sup> There is also a broad national regulatory framework within which REDD+ plans will be carried out, particularly those concerning environmental and natural resource management, including ecosystem services. The following table covers the existing regulatory framework that contributes to REDD+.

**Table 3.3. Regulatory Framework associated with REDD+**

Regulatory Framework	Objective
National Agreement	Sets out the environmental mandate as making national environmental policy a part of the country's economic, social, cultural and land use planning policy, in order to help overcome poverty and achieve sustainable development; institutionalizing public and private environmental management, with a view toward protecting biological diversity; and boosting Peru's agricultural and rural development, including sustainable forest exploitation.
Bicentennial Plan	Emphasizes a decentralized state efficiently coordinated for the conservation and sustainable use of natural resources under an integrated and ecosystem approach that will enable people to enjoy a good quality of life.
Forest and Wildlife Law	Law 29763 <sup>37</sup> recognizes the multiple uses of forests, including their goods and services, diverse users --in other words, the indigenous peoples and other traditional users of forest and wildlife resources--, and other economic actors operating within the forestry sector. It regulates forest zoning and planning; allocation of rights to each actor or forest user in forests in the public domain; respect for the rights of indigenous peoples, and of titleholders with property containing forest lands; and the binding nature of management plans, definition of new forest institutions and oversight and control mechanisms. <sup>38</sup>
National Forest and Wildlife Policy	Approved on August 14, 2013 by DS N° 009-2013-MINAGRI. It details the functions and responsibilities of all government levels and public and private actors; defines Peru's long-term forest and wildlife management; and establishes the policy lines: i. Institutions and governance; ii. Sustainability; iii. Competitiveness; iv. Social inclusion and interculturality; and v. Knowledge, science and technology.

<sup>34</sup>In December 2009, AIDESEP submitted to the Government, the document "Technical Contributions for Improving Forest Regulation." It sets out the consensus reached by a five-month-long roundtable of indigenous representatives with the attendance of non-governmental organizations and central and regional government officials. Held as part of the activities of the "National Coordinating Group for the Development of the Amazon Peoples," that roundtable was convened in June of that year by the government under the leadership of the MINAGRI and particularly of the DGFFS.

<sup>36</sup>The gender approach was incorporated into government policy as a result of the various international treaties that deal with the subject and that have been ratified by the Peruvian state and made a part of national legislation; among the most important of these treaties are the Convention on the elimination of all forms of discrimination against women and its optional protocol and the UN Declaration on indigenous women, together with other international political commitments assumed by Peru, like the Beijing action platform, the Millennium Development Goals and Beijing+5.

<sup>37</sup>AIDESEP has called into question some aspects of the Forest Law 29763, despite having participated in the approval process of that law, related to guarantees for territories under possession of indigenous communities; forest concessions, guarantees for isolated communities, lack of resources for community forest management.

<sup>38</sup>The bodies responsible for law enforcement include: the Supervisory Body for Forest and Wildlife Resources (OSINFOR), the Office of Environmental Assessment and Control (OEFA), the Ministry of Internal Affairs, the Peruvian



Regulatory Framework	Objective
National Environmental Policy	<p>Approved by DS N° 012-2009-MINAM in 2009, its aim is to improve the people's quality of life by ensuring the existence of ecosystems that are healthy, viable and functional in the long term, as well as the sustainable development of the country under the principle of respect for the fundamental rights of human beings.</p> <p>This policy has four subject areas: (i) conservation and sustainable use of natural resources and biological diversity; (ii) integral management of environmental quality; (iii) environmental governance; and (iv) international environmental commitments and opportunities.</p>
General Environmental Law	<p>Law 28611 establishes the principles and basic regulations for ensuring effective exercise of the right to a healthy, balanced and appropriate environment for the enjoyment of a full life, by contributing to effective environmental management and protection.</p>
Law of the Environmental Assessment and Control System	<p>The aim of this system is to ensure compliance with environmental legislation by persons or entities, as well as to supervise and guarantee that environmental sanctions are swift and impartial, in keeping with the National Environmental Policy Framework, and help ensure the existence of healthy, viable and functional ecosystems and sustainable natural resource use that will contribute to effective environmental management and protection.</p>
Organic Law on Sustainable Use of Natural Resources	<p>Governs the Regime on use of natural resources by promoting and regulating sustainable uses of renewable and non-renewable natural resources, establishing a framework for promoting investment and promoting a balanced economy and natural resource and environmental conservation.</p>
Law on Conservation and Sustainable Use of Biological Diversity	<p>Regulates conservation of biological diversity and sustainable use of its components; promotes conservation of ecosystem biodiversity, fair and equitable participation in the benefits deriving from use of biological diversity, and the country's economic development.</p>
Law of Protected Natural Areas	<p>Regulates the management and conservation of natural protected areas. It includes definition of the categories of protected areas, the public use, the process for the establishment of protected, planning, among others.</p>
Law of Native Communities and Agrarian Development of the forest and forest Fringe	<p>Its purpose is to establish an agrarian structure that will contribute to integral development of the forest and forest fringe, so that their population will be able to achieve standards of living in keeping with human dignity through projects in rural settlements for integral and integrated use of renewable natural resources, in keeping with regional development plans.</p>

National Police Force, the Coast Guard, the Office of the Superintendent of Tax Administration, and subordinate offices concerned with industry (PRODUCE), international trade, and use of forest landscapes for tourism (MINCETUR).



Regulatory Framework	Objective
Prior and Informed Consultation Law	Governs the right to prior, free and informed consultation by original indigenous rural nations and peoples, intercultural communities, in order to reach agreements or obtain consent through use of appropriate procedures, based on the country's political constitution, ILO Convention 169 and United Nations Declaration on the Rights of Indigenous Peoples.
Framework Law on Modernization of State Management	Governs the right to prior, free and informed consultation by original indigenous rural nations and peoples, intercultural communities, in order to reach agreements or obtain consent through use of appropriate procedures, based on the country's political constitution, ILO Convention 169 and United Nations Declaration on the Rights of Indigenous Peoples.
Organic Law of Regional Governments	Regulates the state's decentralized and democratic structure and organization into national, regional and local governments. It fulfills the aim of sustainable land use and environmental planning by managing natural resources appropriately and upgrading environmental quality, as well as coordinating and harmonizing institutions at all levels of the National Environmental Management System, with the participation of citizens. The Regional Governments Organization Law (Law 27867) gives it jurisdictional competence in matters of forestry control and allocation of access rights (enabling instruments) to forest resources, but this was not incorporated into forestry regulations until 2011.
Organic Law of Municipalities	Article 141 of this law establishes that promotion of sustainable management of natural resources, soil, water, flora, fauna and biodiversity is within the jurisdictional competence of rural municipalities. The aim is to combine the fight against environmental degradation with the fight against poverty and the creation of jobs within the framework of the agreed development plans.

Source: Inter-Ministerial Committee 2013

47. The transfer of functions from the national to the regional level has advanced, but their operation has not yet been consolidated, particularly as regards allocation and use of the public budget to carry out those responsibilities. A report on the delivery and reception of functions is signed for that purpose and will be made effective by MINAGRI, as part of the annual plan for transfer of sector areas of jurisdictional competence to the regional and local governments. Regional governments that sign that report must adjust their institutional and management instruments accordingly so that they can exercise the specific functions transferred to them.

### 3.2 Challenges and Opportunities for REDD+

48. In the Peruvian context, REDD+ offers an opportunity to deepen and hasten the interaction between the forest and agricultural sectors, with an integral approach from the State's viewpoint, and wide participation by the main forest actors.

49. It would be helpful to take advantage of the broad willingness of civil society and the private sector to participate, as reflected in the national REDD+ Group and regional REDD+ Roundtables and the National REDD+ Amazon Native Peoples Roundtable (RIA), which would have a positive impact on the design and responsible implementation of the political, regulatory and institutional framework. Vehicles are available for the participation of civil society at the local level, such as on management committees for protected areas or the recently created forest management and wildlife management committees. There are also national spaces for participation and dialogue, like CONAFOR, as

well as regional vehicles like the Regional Environmental Commissions that guarantee coordinated and participatory readiness preparation of the REDD+ strategy.

50. The FIP process will contribute to building the REDD+ strategy by bringing to bear the lessons learned and experiences gained in participatory processes at the regional and local levels. (See annex 2). Among the challenges facing REDD+ are:

51. **Strengthening of national institutions:** Forest and agricultural institutions are complex and uncoordinated. An important challenge to be met is moving from sector policy, legal framework and interventions to inter-sector and territorially-based interventions. Arrangements will have to be made among institutions to allow for proper implementation of the REDD+ strategy.

52. **Bolstering of institutions at the sub-national level:** Regional governments, within the framework of the decentralization process, carry out policy measures designed at the national level. Their participation will be important in implementing the REDD+ strategy, for they have a great impact on the economic activities that are the direct drivers of deforestation, as well as on several of the indirect causes, like the road infrastructure, rural development policy, investments, and financing plans or promotion of agricultural activities.

53. **Alignment of inter-sector policy and instruments:** The analysis of institutions concerned with climate change and forests in Peru reveals the presence of multiple public bodies located in the various sectors and at different levels (national and regional). While the functions of each are seen to be different, they are not fully coordinated with each other. For that reason, the design of institutions for REDD+ should not produce new bodies. On the contrary, a framework should be proposed that would allow for coordination among them and complementary functions within the framework of each sector's areas of jurisdictional competence, as well as the incorporation of civil society institutions. According to this rationale, the institutional arrangements for REDD+ should differentiate among the functions of the participating bodies on three levels:

- Bodies at the policy level: Those responsible for defining policies and their coordination among sectors at both the national and regional levels.
- Bodies at the instrument level: Technical bodies responsible for the design of instruments to put the ENREDD+ policy or strategy into practice and also for the design of accountability mechanisms.
- Bodies at the operational/implementation level: Bodies in charge of implementing programs and projects.

54 In that connection, it is necessary to review already existing institutions and their legal framework, in order to prepare a transition plan for moving toward the new design. This will be a key task for the REDD+ Readiness Preparation stage.

55. It is important to point out that the institutional design for REDD+ should bear in mind the following elements:

- Promote leadership at the policy-making level that will allow for coordinated and joint efforts by the sectors and regional governments in taking the action stipulated in the National REDD+ Strategy.
- Create mechanisms for effective coordination (specific instruments) by all public and private institutions that have key roles to play and functions in REDD+ implementation.
- Set up transparent systems for efficient distribution and administration of financing sources.

56. The R-PP will, accordingly, have as its aim to support the Peruvian state in designing, preparing and implementing a National REDD+ Strategy within the framework of national policies being implemented, particularly in the environmental and agricultural sectors, through a participatory and agreed process with the actors.

57. As a result, REDD+ strategy should make it possible to create an environment of sustainability for local communities --in other words, it should promote alternative activities to deforestation that would ensure continuous income and allow for informed and organized participation in carrying out measures in an orderly manner.

58. **Enhancement of the value of forest ecosystem goods and services:** The low level of competitiveness of forests can be attributed to the lack of markets for ecosystem services and the poor productivity of and returns on forest products. As international talks continue about reaching a possible global agreement centering on REDD+, developing countries have made little headway in the design of performance-based payments. Attracting investment in REDD+ will depend largely on being able to guarantee minimum enabling conditions for sustainable forest production, while markets for ecosystem services are being consolidated or other financing mechanisms.

## SECTION 4. CO-BENEFITS OF THE FOREST INVESTMENT PROGRAM - FIP

59. The activities included in the Investment Plan will produce multiple socio-economic, environmental and institutional co-benefits, particularly in the chosen geographical areas. The Investment Plan will have a positive impact on the well-being of native communities and local populations at national, regional and local levels, under an approach of gender equality. FIP Peru will promote access to environmental benefits (ecosystem services), strengthen local capacity, and improve biodiversity conservation. The following table outlines the co-benefits, broken down by subject matter and intervention area.

**Table 4.1. Summary table of co-benefits, by intervention area**

Intervention area	Institutional	Socio - economic	Environmental
National	<ul style="list-style-type: none"> <li>•Strengthening local actors and self-management.</li> <li>•Strengthening of the capacity for integrated and multi-sector management of natural resources.</li> <li>•Establishment of a platform for inter-institutional collaboration and of a model for cooperation between the state and community actors.</li> <li>•Strengthen monitoring and surveillance capacities of national and regional authorities.</li> <li>•Simplification of land tenure regulation systems and processes.</li> </ul>	<ul style="list-style-type: none"> <li>•Reduction of socio-environmental conflicts.</li> <li>•Contribution toward reducing informality in forest management.</li> <li>•Contribution toward reducing rural poverty.</li> </ul>	<ul style="list-style-type: none"> <li>•Reduction of socio-environmental conflicts.</li> <li>•Recovery of the value of forest assets.</li> <li>•Improvement of the management of the state's natural capital.</li> <li>•Protection of biodiversity.</li> </ul>
Territorial	<ul style="list-style-type: none"> <li>•Strengthening of decentralized and community management.</li> </ul>	<ul style="list-style-type: none"> <li>•Reinforcement of collaboration among communities in production activities.</li> <li>•Women's empowerment in order to improve living conditions, based on their knowledge of agroforestry.</li> <li>•Creation of innovative models for raising production, with a view toward enhancing competitiveness and thereby improving the living conditions of local actors.</li> </ul>	<ul style="list-style-type: none"> <li>•Contribution toward maintaining the wealth in biodiversity at the landscape level.</li> <li>•Tenure legalization.</li> <li>•Ecosystem protection.</li> <li>•Protection of agricultural and indigenous rural holdings.</li> <li>•Promotion of the use of environmentally sound technology.</li> </ul>
Cross-cutting co-benefit	Development model for sustainable forest management.		

Source: self prepared.

## SECTION 5. MDB COLLABORATION WITH OTHER DONORS AND THE PRIVATE SECTOR

60. The government of Peru maintains a continuous dialogue and coordinates closely with its different development partners, placing a premium on cooperation and co-financing programs. Multilateral Development Banks (MDBs) are working with the Peruvian government on several different initiatives to improve forest management, which are carried out through loans or technical cooperation.

61. At present, the Inter-American Development Bank (IDB) is supporting the Peruvian government in the preparation of REDD+ within the framework of the Forest Carbon Partnership Facility (FCPF), and in the design of a system of compensation for ecosystem services linked to the Interoceanic Highway in the Madre de Dios region. To complement the IDB is preparing a loan for physical and legal sanitation and rural titling in the Amazon. In addition, the IDB and the World Bank (WB) are preparing another loan operation for the National Program of Agriculture Innovation that will include support for innovation in the management of forests and agroforestry systems. The WB, for its part, supported the creation of the Fund for the Promotion of Peru's Natural Protected Areas - PRO-FONANPE and is currently assisting the Project on "Reinforcement of Biodiversity Conservation through the National Protected Areas Program - PRONANP".

62. Insofar as other donors are concerned, about 30 projects connected directly or indirectly with aspects of REDD+ are underway, financed by international cooperation agencies and other bodies (foundations, NGOs, the private sector, etc.). The amount involved is estimated at US\$241 million.<sup>39</sup> There are several pilot project initiatives, for example, that have to do with the monitoring, reporting and verification (MRV) of GHG emissions produced by deforestation and forest degradation, such as those financed by the German Development Bank (KfW), the Gordon and Betty Moore Foundation, the Japanese International Cooperation Agency (JICA) and the Hato Yama initiative. In addition, there are a number of initiatives aimed at supporting sustainable use of forest resources; examples include the National Forest Inventory financed by FAO-Finland and support projects for community forest management (CAF-MINAGRI and JICA-MINAM). A project is also being prepared on cadastre preparation for and the titling and registry of rural land holdings (PTRT).

63. A study of the gaps and duplications in activities aimed at REDD+ reveals the existence of a portfolio of projects with glaring gaps and overlaps (report of INDUFOR and Nature Services<sup>40</sup>). For that reason, one of the key tasks will be to promote close coordination with the FCPF and other initiatives, in order to put the final touches to the National REDD+ strategy document, and the alignment of the various initiatives participating in vehicles for inter-institutional coordination that may be promoted so as to build up a coordinated, coherent and synergistic portfolio. Spaces will also be promoted for dialogue and consensus-building with actors representing indigenous peoples, local actors and representatives of sub-national governments.

64. The assessment of the involvement of the private sector<sup>41</sup> has identified concrete opportunities for investment in projects associated with REDD+ (forest management, ecotourism, reforestation and agroforestry). Even so, there are barriers that restrict the flow of private sector investments to those activities. These include incomplete assignment of property rights, weakness of the state in tackling illegal activities (mining, illicit crops), lack of financial incentives, underdeveloped value chains, and the gap in technology, among other things. A portion of the funds of the Forestry Investment Program will be allocated to investments that will create enabling conditions, to allow the private sector to invest in community business development models. Another part of the funds will be earmarked for developing innovative business models. For that reason, during this phase, priority has been placed on investments targeting aspects of enabling conditions and the strengthening of national development institutions, so that they can bolster the management capacity of communities and entrepreneurs, and the promotion by the public sector of new technologies to serve as a basis for private investment in the future.

---

<sup>39</sup>Report INDUFOR 2012: Análisis del impacto y convergencia potencial de las acciones en marcha que inciden en la deforestación y degradación forestal – p. 2

<sup>40</sup>INDUFOR and Nature Services prepared a report in 2011 in which they presented possible inputs for the preparation of the Forest Investment Program. Nature Services Report, 2011.

<sup>41</sup>Nature Services Report, 2011. Nature Services Report, 2011.

## SECTION 6. IDENTIFICATION AND RATIONALE OF THE PROGRAM AND PROJECTS TO BE CO-FINANCED BY THE FIP

### 6.1 Identification of Areas with a High Potential for Emission Reduction and Production of Co-benefits

65. In light of the availability of resources and of potential co-financings for Investment Plan proposals, the decision was made to carry out integral pilot projects with a territorial approach (see Box No. 1) in specific geographic areas, in order to maximize the program's potential effects.

66. A scoring method was used to establish the order of priority of the areas of intervention. The method draws on criteria associated with the country's development priorities<sup>42</sup>, together with Forest Investment Program criteria<sup>43</sup>, weighted in order to calculate the order of priority. The purpose of this exercise was to select a smaller set of areas of intervention for the program.

#### Box No. 1: THE TERRITORIAL APPROACH IN THE PERU INVESTMENT PLAN

Diagnoses of the drivers of deforestation and forest degradation (described in Section 1.3) and the lessons learned in Peru and other countries of the region with similar programs point up the need to address the direct and underlying causes of deforestation and degradation through an integral approach at the landscape level that would consider the causes of deforestation and the measures to be taken, in order to address each one synergistically.

That is why the FIP Executive Committee decided to take a territorial, rather than a sector, approach to FIP investment. This territorial approach is expected to bring together the components of land tenure, land use and forest planning, public-private measures to spur value chains, and forest governance. The specific application of the territorial approach to each prioritized area is discussed in detail in the section on projects in this chapter and in Annex 1.

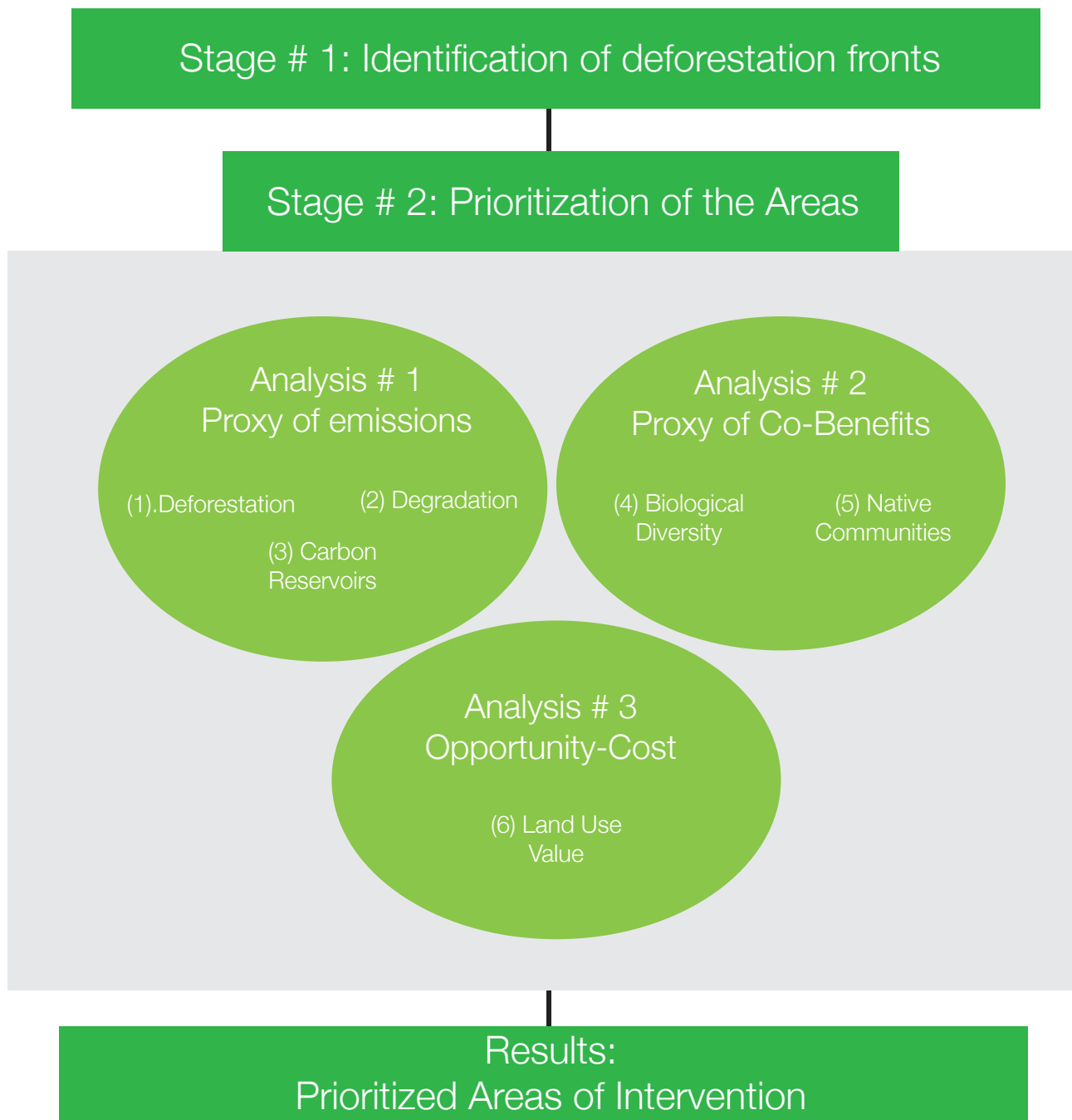
The decision to take a territorial approach to the interventions can be seen to be consistent for each area of intervention, but makes it more difficult to take up matters that require acting at other levels, like those of the national government and of the regional government itself. For that reason, a fourth, nation-wide, project will be added to those designed for the three priority areas, in order to deal organically with the issues of monitoring and innovation and the components of national policy and institutions.

67. In order to use that method, the principal deforestation and forest degradation fronts were first defined, followed by the performance of an exercise in prioritization based on six criteria. (Figure 6.1).

<sup>42</sup> i) Zero net forest emissions by 2021, ii) socially-inclusive rural development by 2021, and iii) environmental assets and biodiversity with an enhanced value by 2021.

<sup>43</sup>FIP Operational Guidelines, June 29, 2010, Climate Investment Funds, page 6.

Figure 6.1. Methodology for defining the Program areas of intervention



### 6.1.1 Criteria and indicators used in the prioritization exercise

#### (a) Climate change mitigation potential.

68. The proxy indicator of the mitigation potential was evaluated as a combination of the indices of deforestation, forest degradation and carbon reservoirs in the different kinds of forests. The hypothesis put forward for the prioritization is that those fronts that have high rates of deforestation and of forest degradation and that contain large forest carbon reservoirs are the fronts with the heaviest emissions.

**(b) Social and environmental co-benefits.**

69. The proxy indicator of the potential for generating co-benefits was assessed as a combination of the indices of native community populations and diversity of ecosystems. The hypothesis put forward for purposes of the prioritization is that the larger the number of native communities per district and the greater the biological diversity, the larger the number of opportunities for producing co-benefits.

**(b) Cost-Effectiveness**

70. The proxy indicator of cost-effectiveness was evaluated as the land use value. The hypothesis put forward for purposes of the prioritization is that interventions in deforestation fronts with high opportunity costs are not cost effective. At the same time, interventions in areas with a low opportunity cost would be unnecessary because no pressure is being exerted for deforestation in those areas. The variables selected for analyzing each criterion evaluated in this investment plan have been calculated according to different sources. A summary is shown in the Figure below:

**Table 6.2. Selected variables per criterion and information sources**

Criteria	Indicators	Sources
Mitigation Potential	Deforestation Forest degradation Carbon Reservoirs	PROCLIM, 2005 <sup>44</sup> & DGOT, 2012 <sup>45</sup> Oliveira et al, 2006 <sup>46</sup> Baccini, 2012 <sup>47</sup>
Social and environmental co-benefits	Biological Diversity Native Communities	Josse, 2007 <sup>48</sup> Vice-Min of Interculturality, 2012 <sup>49</sup>
Cost - Effectiveness	Land use value	Armas, 2009 <sup>50</sup>

Source: self prepared

**6.1.2. Deforestation and degradation fronts**

71. LANDSAT imagery for the period 2000 – 2009 (PROCLIM, 2005 and DGOT-MINAM, 2012) and Oliveira’s degradation analyses (2006) for the period 1999 – 2005 were used to identify the deforestation and forest degradation fronts. Based on the findings, fourteen different deforestation and degradation fronts were identified (Figure 6.1). These fronts coincided closely with the segments of main highways entering the lowland jungle from the eastern part of the Andes and with highway density (Figure 6.2).

<sup>44</sup>Deforestación de la Amazonia Peruana – 2000. Prepared by the PROCLIM Project under the direction of INRENA and the CONAM in 2005.

<sup>45</sup>MINAM, 2012. Memoria tecnica de la cuantificación de la cobertura de bosque y cambio de bosque a no bosque.

<sup>46</sup>Oliveira, et al. 2006. Land-Use Allocation Protects the Peruvian Amazon. Published 9 August 2006 in Science Express.

<sup>47</sup>Baccini, A., et al. (2012). “Estimated carbon dioxide emissions from tropical deforestation improved by carbon-density maps.” Nature Climate Change.

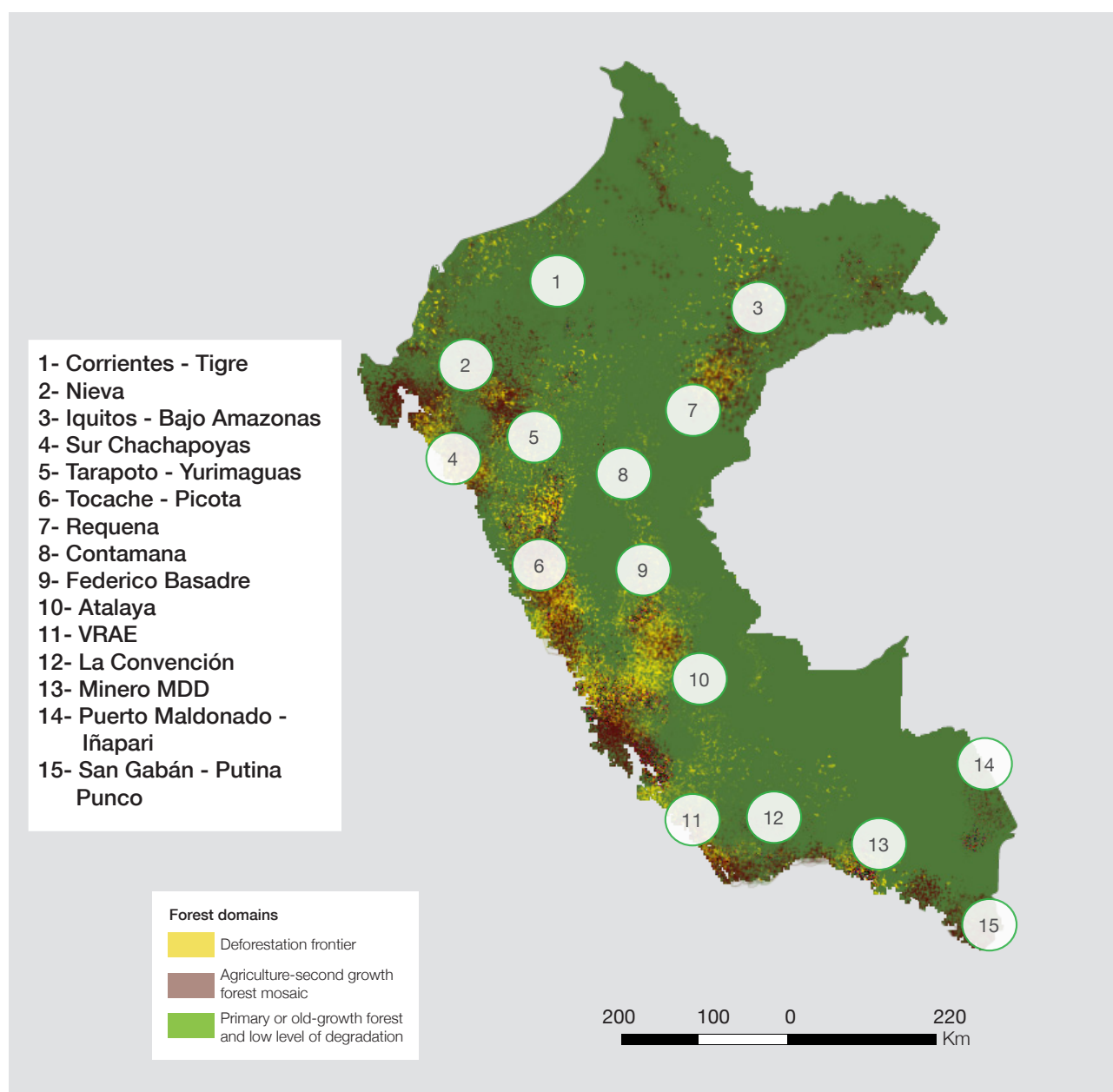
<sup>48</sup>Josse, C., et al. (2007). Ecological Systems of the Amazon Basin of Peru and Bolivia. Classification and Mapping. Arlington, Virginia, USA.

<sup>49</sup>Ministerio de Interculturalidad. 2012. Mapa de Comunidades Nativas.

<sup>50</sup>Armas, A., et al. (2009). Pagos por Servicios Ambientales para la conservación de bosques en la Amazonía peruana: Un análisis de viabilidad. Lima, Perú, SERNANP.



Figure 6.3. Principal deforestation and degradation fronts in Peru today.



Source: FIP Technical Team

### 6.1.3. Prioritization of the areas of intervention

72. The process was based on four prioritization criteria in keeping with both the country's development priorities and Forest Investment Program criteria. These criteria were: (a) GHG emission reduction potential (deforestation and forest degradation rates and forest carbon stocks in each area), (b) social co-benefits (relative proportion of native communities), (c) environmental co-benefits (biodiversity), and (d) cost-effectiveness (Land use value).

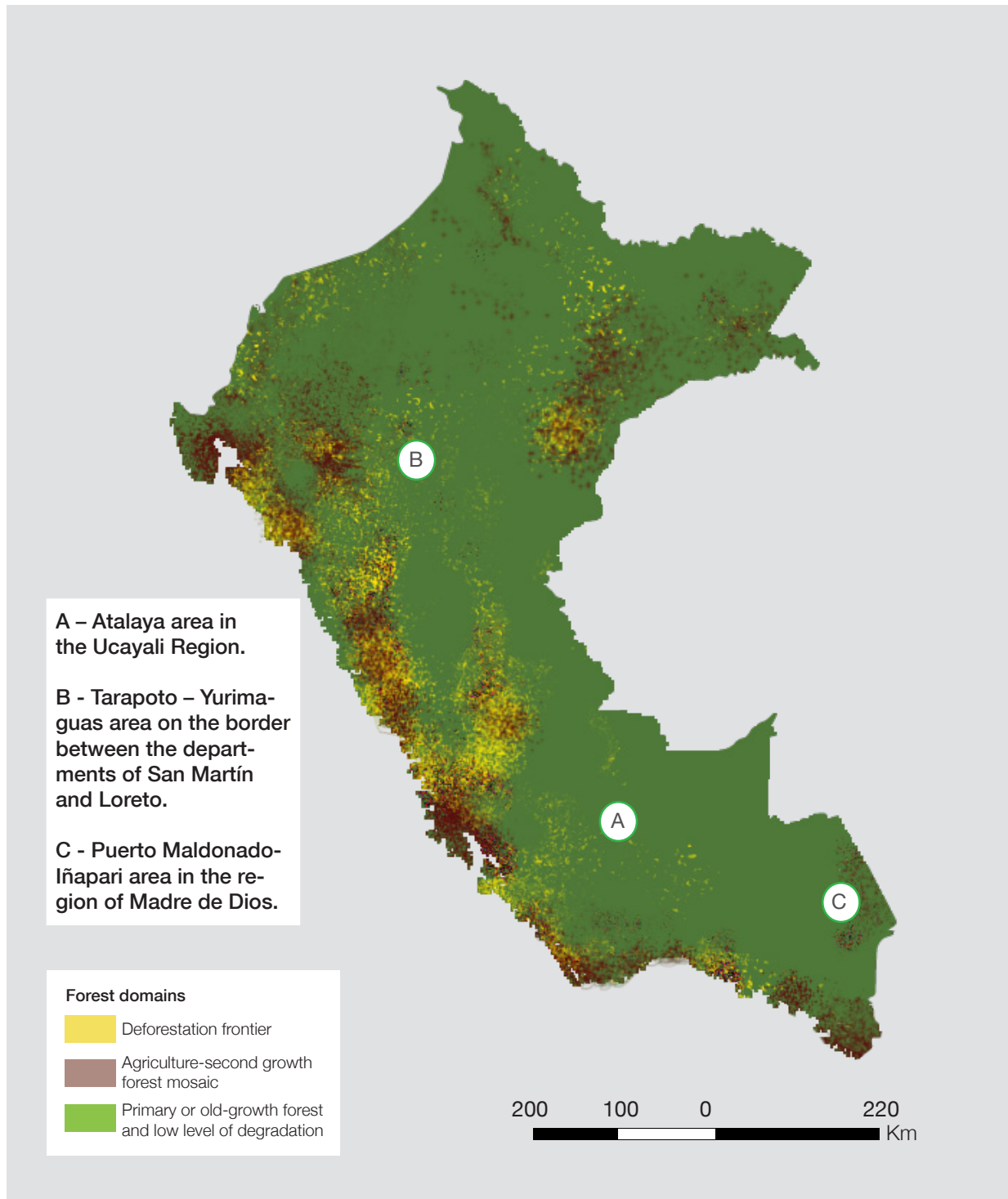
73. Indices were developed for each criterion and were combined spatially. Deforestation (1), degradation (2) and carbon reservoir indices (3) were combined to obtain a proxy for GHG emissions. For the environmental and social co-benefits, indices of biodiversity (4) and presence of native communities (5) on the deforestation front were used to obtain a proxy for each type of co-benefit. The cost-effectiveness criterion was measured by the value of land use (6), in order to discard deforestation fronts with very high opportunity costs (the mining area of Madre de Dios, for example) and fronts where the pressure for deforestation is low (remote areas with little accessibility). The following equation was used to prioritize the intervention areas:  $score = \{[(1+2) \times 3] \times [4+5]\} \times 6$ . The methodological aspects and maps resulting from these exercises can be made available upon request.

74. As a result of that analysis, three areas of intervention were prioritized (Figure 6.3), where the FIP is expected to have the greatest impact on reduction of emissions and to produce the most social and environmental co-benefits.



The three areas constitute a representative sample of deforestation and forest degradation dynamics in the Peruvian Amazon and, for that reason, the projects to be implemented in those intervention areas will be able to be replicated and expanded in other parts of the Amazon (Table 6.1).

Figure 6.4. Location of the prioritized areas of intervention.



75. The areas prioritized are the following:

a. **The Atalaya intervention area.** Located on the border between the regions of Ucayali and Junín, it is linked by highway to Puerto Ocopa. The area is a forest landscape for the most part, with permanent production forest and forest concessions, together with broad forested areas on native community lands. Deforestation there is relatively meager, but the area's recent interconnection with the national road system (highway running from Atalaya, Ucayali, to Puerto Ocopa, Junín) serves as an element of attraction for forest harvesting activities, both legal and illegal, and constitutes a route for the entry of new settlers into the area.

b. **The Tarapoto – Yurimaguas intervention area.** This includes parts of the departments of San Martín and Loreto that lie along the North Inter-oceanic Highway. Deforestation in this intervention area is spreading from northeastern San Martín toward the province of Alto Amazonas in Loreto, fueled mainly by small-scale farming and stockbreeding, but also by the rising cultivation of agro-industrial crops. This advance has left in its wake a large number of degraded agricultural areas.

c. **The intervention area of Puerto Maldonado-Iñapari and the Amarakaeri Communal Reserve in the region of Madre de Dios.** It encompasses the area along the highway between Puerto Maldonado and Inambari, as well as the Amarakaeri Communal Reserve and its beneficiary communities. This large forest landscape is under heavy pressure due to land use change as a result of strong migration prompted by the opening of the highway. The deforestation front that has been identified is located northeast of the Madre de Dios region. Forest planning has advanced significantly in the region, and includes large protected areas and timber concessions within permanent production forest, as well as non-timber (Brazil nut) concessions, all of which have the potential to become effective.

**Table 6.1. Description of the areas of intervention and their representativeness.**

Area	Description of the zone	Similar Regions
Tarapoto – Yurimaguas, in the Regions of San Martín and Loreto	<ul style="list-style-type: none"> <li>• Geography. Transition zone between the upland jungle and the Amazon plain.</li> <li>• Expansion dynamics. An area with a rapidly expanding agricultural frontier and forest degradation, containing mixed use agricultural, agroforestry and forest lands (agricultural mosaics interspersed with harvested forests).</li> <li>• Level of disencumbrance /assured tenure. 60% of the intervention area has no assigned property rights, particularly the part in Loreto.</li> <li>• Protected areas and concessions. Presents a system of forest concessions and protected areas heavily threatened by squatters and with superimposition of land tenure rights.</li> <li>• Migration. Receives large numbers of migrants from highland regions, particularly Cajamarca.</li> <li>• Native Communities. Strong presence of native communities.</li> </ul>	Transition region between the Upland Jungle and Central Jungle: Huánuco, Pasco, Cusco, Junín, and Amazonas.
Atalaya, region Ucayali	<ul style="list-style-type: none"> <li>• Geography. Lowland jungle.</li> <li>• Expansion dynamics. An area with a rapidly expanding forest degradation frontier attributable to illegal logging activities and a slowly expanding agricultural frontier with a potential for growth fueled by the opening of the highway.</li> <li>• Level of disencumbrance/assured tenure. Well-established property rights. There are no assigned property rights in 20% of the intervention area.</li> <li>• Forest concessions. Presents a system of forest concessions threatened by illegal logging activities.</li> <li>• Migration. Migration that, while meager, shows a high probability of rising rapidly due to the opening of the Satipo-Atalaya highway.</li> <li>• Native Communities. Strong presence of native communities with well-defined land tenure.</li> </ul>	Loreto and parts of the Central Jungle with a large concentration of native communities and permanent production forests.

Area	Description of the zone	Similar Regions
Puerto Maldonado-Iñapari and the Amarakaeri Communal Reserve, in the Region of Madre de Dios	<ul style="list-style-type: none"> <li>• Geography. Lowland jungle.</li> <li>• Expansion dynamics. An area where expansion of the agricultural frontier is at an intermediate level and forest degradation is high, especially in Brazil nut concessions. Pattern of mixed-use, agricultural, agroforestry and forest lands.</li> <li>• Level of disencumbrance/assured tenure. 8% of the intervention area has no assigned property rights.</li> <li>• Protected areas and concessions. Broad area of forest concessions that have held back deforestation, but whose business model shows little competitiveness, threatening its viability as a deforestation containment strategy.</li> <li>• Migration. Receives a large migrant population from southern highland regions like Puno and Cusco.</li> <li>• Native Communities. Comparatively fewer than in Atalaya and concentrated around the Amarakaeri Communal Reserve.</li> </ul>	Zonas de Selva con mezcla de bosques de producción, concesiones, comunidades nativas y áreas protegida, p.ej. Ucayali, Loreto.

Source: self prepared.

## 6.2. Projects.

76. Three of them are pilot interventions with a regional approach that confront deforestation and degradation in the three priority areas identified. The fourth is for nation-wide implementation and focusses on transformative changes in forest conservation policy, institutions, and instruments. Overall, the projects comply with the integral intervention rationale described in Section 2 and are based on the establishment of enabling conditions relating to governance, land use planning, physical and legal disencumbrance, innovation and market development (see Annex 1). It is on those foundations that forest conservation and the recovery of degraded areas are consolidated, with specific investments that make sustainable forest use more competitive under an approach of social inclusion, sustainability and increased competitiveness of activities.

### Box No. 2: IP PROJECT DESIGN

As stated, the 14 deforestation and degradation fronts that have been identified differ widely. These differences are based on varying combinations of the following three scenarios:

- 1) Mixed agricultural and agroforestry lands with well-defined property rights. These include agricultural mosaics interspersed with fragmented and harvested forests located near urban centers with relatively high population densities;
- 2) Border and disputed areas are places where shock waves from the expansion of agricultural activities and timber harvesting come up against a broad front of relatively untouched forests, whose occupation or control are disputed by several different actors, making them deforestation and/or degradation fronts; and
- 3) Areas located beyond the deforestation and degradation frontier with few inhabitants, mainly indigenous, where low-intensity degradation activities occasionally take place, such as illegal logging or timber harvesting, but almost no deforestation.

The three prioritized areas, then, constitute a representative sample of the scenarios identified on these fronts. The decision was made to, based on these distinguishing characteristics, design three projects that reflect the different situations. In this way, projects that are developed for these areas of intervention can be replicated and enlarged in other areas of the Amazon.

### 6.2.1. Project 1: Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto

77. The Project objective is to reduce GHG emissions produced by deforestation and forest degradation and to recover carbon reserves on the main route between Tarapoto – Yurimaguas in the San Martín and Loreto regions.

#### 78. Specific objectives:

- a. Contribute to reducing the pressure for deforestation and degradation by implementing the model for integral management of the intervention area.
- b. Support the legalization, titling and registration of the property rights of native communities and other forest users.
- c. Assist in the recovery of degraded agricultural areas through use of agroforestry and agrosilvipasture systems.

79. **Description and rationale for the intervention:** The project intervention area, covering approximately 1,200,000 hectares, is the main route between Tarapoto and Yurimaguas, part in the region of San Martín and part in that of Loreto. The forest landscape reveals a variety of forms of occupation of the forest: protected areas, native communities, unconcessioned production forests, forest concessions and privately-held or -owned areas. The agricultural frontier is moving rapidly ahead, overflowing areas suitable for farming and overrunning concessions, communities and particularly areas without assigned rights. Almost one-half of the land surface in the intervention area lacks assigned rights and it is there that over 60% of the deforestation has taken place. The deforestation rate in those areas is at least 3 times higher than the average in the other land use categories (see Annex 1, Table A.1.1.). Deforestation in the project intervention area can be attributed largely to small-scale farming and subsistence stockbreeding with almost no ties to the market, although agro-industrial crops are making rapid inroads.

80. Weak governance facilitates informal forestland occupation. Land-use planning has not been completed, nor have property rights been assigned in the intervention area. Public institutions are not endowed with sufficient capacity to exercise their environmental, forestry and agricultural functions and responsibilities. Furthermore, low value-added products still dominate forest, agro-forest, silvo-pastoral and tourism value chains in the intervention area. Very low land and labor productivity are the hallmark of those activities. As a result, they are unable to compete with other activities that are incompatible with forest production, like farming, extensive grazing and illegal logging.

81. This project is designed to help overcome factors that work against reduction of the deforestation and forest degradation described above. Specifically speaking, the project will enhance inter-sector landscape management, consolidate forest/environmental management instruments, and support native community land titling and/or expansion, as well as land titling of small producers. It will also promote business models by facilitating the adoption of efficient production technology and promoting interlinkage of small producers and native communities with high value-added chains. Annex 1, Section A.1.1. discusses in more detail the activities to be financed by the project and the way in which it conforms to FIP investment criteria.

### 6.2.2. Project 2: Integrated landscape management in Atalaya, Ucayali Region

82. **Objective:** Strengthen and implement forest landscape management in the province of Atalaya, region of Ucayali, in order to reduce GHG emissions produced by deforestation and forest degradation and increase carbon reserves.

#### 83. Specific objectives:

- a. Develop a participatory planning model for forest planning and community forest management.
- b. Reinforce native community forest tenure and property rights of native communities and small landholders.
- c. Build up the capacity for technical expertise and internal governance of indigenous communities, local governments and other local actors, with a view toward achieving sustainable forest management.

84. **Description and rationale for the intervention:** The project intervention area in Ucayali is the province of Atalaya, specifically the district of Raymondi, which covers 1,235,074 hectares. Around 45.5% of the district is occupied by native communities, 33.8% by forest concessions and only 1% by farm holdings. This leaves a considerable area (20%) under uncertain tenure or without assigned rights. Annual deforestation in the area of intervention is low (0.05%) (see Annex 1, Table A.1.2.1)

85. The existence of a shorter and faster highway (Lima-Puerto Ocopa-Atalaya) and the presence of relatively unexploited forests serve to attract the installed timber industry, as has occurred in the past in other areas. Weak forest, environmental and agricultural governance in the province heightens the risk. In this scenario, it is quite likely that the existence of the highway will lead to disorderly and illegal occupation of the land and growth of illegal timber harvest-

ing activities that will result in deforestation and forest degradation patterns similar to those along other penetration highways<sup>53</sup>

86. Forest production is not a competitive economic activity for either enterprises or communities. Its low level of competitiveness can be attributed to several factors, including: unfair competition by illegal loggers in concessions, community lands and areas without titles or defined rights; lack of access to financing; inefficient harvesting and transportation processes; and the little value-added of the products. Native communities, for their part, have problems participating in high value-added chains because of the cost involved and their technological weaknesses and meager economies of scale.

87. This project will strengthen sector and inter-sector governance, support the titling and/or expansion of native communities and small producers and the promotion of business models, and will consolidate forest/environmental management instruments. It will also help reduce gaps in community forest management organization and productivity and strengthen native community links with high value-added chains and appropriate commercial partners, in order to make sustainable forest use activities more competitive.

### **6.2.3. Project 3: Integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amarakaeri Communal Reserve and beneficiary communities in the Region of Madre de Dios**

88. **Objective:** The project objective is to reduce GHG emissions produced by deforestation and forest degradation and increase carbon reserves along the main route between Puerto Maldonado and Iñapari, in the region of Madre de Dios.

#### **89. Specific objectives:**

- a. Make use of timber and non-timber resources more competitive.
- b. Build up the capacity of native communities for forest management.
- c. Strengthen forest governance, including the capacity for control and oversight within the framework of the decentralization of responsibilities.
- d. Support land tenure and land use planning processes.

90. **Description and rationale for the intervention:** The intervention area covers a total area of 1,776,181 hectares. To date, forests cover 93.5% of this landscape, where total annual deforestation runs at 0.19%, outpacing the national average of 0.15%. Land use in the area consists of timber concessions<sup>54</sup> (44.3%) and non-timber concessions (33.9%) containing the country's largest expanse of Brazil nut (*Betholletia excelsa*) concessions. Native communities, farm holdings and areas with no assigned rights, occupy the rest of the area, where the latter accounts for 8% of the total.

91. Deforestation is heaviest (0.29%) in the areas without assigned rights, as a result of illegal squatting for farming and other informal purposes. Annual deforestation is considerably lower in the timber and non-timber concessions as a whole (0.06%), although rates in the Brazil nut concessions are two times higher than average deforestation rates in the timber and non-timber concessions (see Annex 1, Table A.1.3.1).

92. Growing pressure brought by small-scale farming, uncontrolled slash-and-burn, and illegal logging activities are doing much to cancel out the benefits of the use of forest management instruments in forest concessions and native communities. Weak forest, environmental and agricultural governance, combined with incomplete decentralization in which there are no defined functions and responsibilities, and the start-up of the new sector institutions<sup>55</sup> only serve to heighten that situation. These conditions, together with the superimposition of land use rights and incomplete physical and legal disencumbrance, contribute to deforestation and forest degradation processes.

93. Economic activities based on sustainable use of forest resources or recovery of degraded areas, in addition to suffering from problems of governance, do not compete favorably with other uses that are not compatible with forest production, such as, for example, farming, extensive stockbreeding and illegal logging.<sup>56</sup> By way of example, current management of Brazil nut and shiringa concessions reveals very low land productivity levels fluctuating at between US\$10-20/ha/year.<sup>57</sup> The more productive agroforestry systems, for their part, confront barriers consisting of high establishment costs, long periods before returns can be received and high labor requirements to maintain the system<sup>58</sup>.

<sup>53</sup>White et al., 2005.

<sup>54</sup>Recent data have revealed that more than 30% of the Brazil nut concessions are experiencing encroachment problems, 80% are carrying out farming activities on their concessions and more timber is being harvested there than in timber concessions (Cossio 2011, Nature Services Peru 2013).

<sup>55</sup>CIAM, 2012

94. This project is designed to help break through those barriers. It will do this by strengthening sector and inter-sector governance and supporting the titling and/or expansion of native communities and small farmers, as well as by promoting business models and consolidating forest/environmental management instruments. Furthermore, it will help to reduce productivity gaps of native communities and small farmers and their adjustment to technological change and link-up with high value-added chains, in order to make activities based on sustainable forest use and/or recovery of degraded areas more competitive.<sup>59</sup>

#### 6.2.4. Project 4: Strengthening of national forest governance and innovation

95. **Objective:** The objective is to reinforce forest governance in implementing public policy reforms and consolidating management and financial instruments in order to make natural forests more competitive.

96. **Specific objectives:**

- a. Help design and implement the National Forest Monitoring System.
- b. Assist with the development and transfer of technology for recovery of degraded areas and sustainable forest management.
- c. Promote development of financial instruments for long-term forest investments.

97. **Description and rationale for the intervention:** In addition to specific problems of governance in the intervention areas, there is a gap in national governance that is reflected in failures in coordination and cooperation among sectors and with different levels of government. Contributing to this situation is the absence of a national system for monitoring, reporting and verifying emissions produced by deforestation and forest degradation.

98. Insofar as innovation is concerned, the National System of Agrarian Innovation has not yet given priority to investment in the management of native forests, agroforestry systems and forest plantations. It is a known fact that productivity gains are directly tied in with investment in technological research, development and transfer. The truth is that Peru trails far behind the Southern Cone countries in technology, particularly in the area of forestry.

99. As identified in Section 2, the ability of enterprises, communities and small producers to make long-term investments in the management of native forests and recovery of degraded areas (containing agroforestry systems or plantations) depends on the financial services being offered in the country's economy. In Peru's case, access to those services is limited, and especially so in the case of the forest sector. The inadequate offering of financial services to the forestry sector is a reflection of the risks and transaction costs associated with the sector that cannot be ignored. For that reason, innovations are needed in the financial services market in order to meet the demands of the forest sector.

100. This project is designed to help overcome those barriers. It will bolster sector and inter-sector governance at the national level through specific investment in the implementation of the National REDD+ strategy, the alignment of national policy and strategies on sustainable use and protection of forest resources, and the design and implementation of the national system for monitoring deforestation and forest degradation. Furthermore, in collaboration with IDB and World Bank credit operations, the project will help to bring in investment in innovation and the transfer of technology in the forest and agroforestry sectors. Lastly, the project will finance feasibility studies and pilot initiatives involving financial instruments that show a high potential for success.

---

<sup>56</sup>CSR-UFMG, 2011

<sup>57</sup>Nature Services Peru, 2012

<sup>58</sup>White et al., 2005.

<sup>59</sup>The traditional know-how of indigenous peoples with regard to forest management is considered a factor affecting the competitiveness of forest activities.



## **SECTION 7. IMPLEMENTATION AND POTENTIAL RISKS**

### **7.1. Technical and management capacity analysis of project executor bodies**

101. Following the recommendations of the FIP-Peru Executive Committee, implementation of the FIP Program will be centralized on the National Forest Conservation Program (PNCB), the MINAM Executor Unit. This unit will bear the general, administrative, financial and fiduciary responsibility for the program. The Executive Committee has proposed an institutional arrangement for the program's execution, but this proposal will only be developed in detail during the project design phase, when an evaluation will be made of the institutional capacity of the National Forest Conservation Program and other sub-executors. The Executive Committee member institutions and organizations will be responsible for the evaluation, with a view to reaching a coherent institutional arrangement among all of the actors involved.

### **7.2. Identification of Possible Risks**

102. Several risks for the implementation of the FIP Investment Program have been identified on a preliminary basis. Significant among these are institutional risks, as mentioned in Section 3, resulting from the current decentralization process and reforms of the Peruvian state. The Environmental and Agriculture sectors have transferred coordination, planning and execution responsibilities to the regional and local governments. Action is needed, however, to ensure that the jurisdictional capacity of sub-national governments is effectively bolstered. Foremost among the risks identified are those enumerated below:

#### **7.2.1. Institutional risks**

103. Although the MINAGRI is working on standardizing land titling criteria/procedures in the country (including the three regions where the projects will be carried out), the process could take longer than expected.

#### **7.2.2. Operational or implementation risks (technological, appropriate management, environmental and social)**

104. Grass-roots organizations do not have enough resources (among the indigenous organizations, there is an identified need for specific and on-going technical assistance and a capacity for logistics, among other things) to participate effectively in the program. Furthermore, settlers and migrants may be excluded from the projects because they lack an organization of their own.

105. Emission leaks and/or the shifting of deforestation and degradation agents can occur during project implementation. Also, the capacity for implementation is unable to cope with the conceptual, technical and institutional complexity of the FIP program.

106. Currently there are not enough baseline (social, economic and environmental) studies, making the monitoring and adaptive management of the projects and evaluation of the results difficult to achieve.

107. There is a possibility that women will be excluded from decision-making, training, access to land and titles, resource management and forest utilization during project implementation.

#### **7.2.3. Risks associated to the migration and megaprojects**

108. As identified in the drivers of deforestation and degradation and literature review, infrastructure projects such as roads could have significant impact on deforestation and forests degradation. It reduces transport costs providing incentives for farmers and loggers to expand their economic activities into forest areas.

### **7.3. Mitigation**

109. The risks described above will be mitigated on two levels. The mitigation measures to be taken at the general level are reinforcement of the capacity for coordination, establishment of a favorable environment for cooperation and advancement of the aligning of methodologies in both national and regional bodies. The arenas for public-private cooperation that exist in most of the implementation areas, such as Regional REDD+ Roundtables, will also be considered in the coordination.

110. Furthermore, each proposed project will be implemented by the Regional Environmental Authorities, with the Amazon Interregional Council (CIAM) providing sub-national support and technical assistance and the IP executor unit promoting the alignment of the territorial interventions with the national objectives.

111. The MINAM has taken up requests for assistance in creating a vehicle for Indigenous REDD+ development. For that reason, resources will be allocated to this end, as well as to deal with the titling and/or disencumbrance of indigenous peoples.

112. At the second level, risks inherent to the nature of the project will be considered in the design of the specific projects. As a result, the mitigation measures will be established in the design of the specific projects and will include actions for stakeholder engagement using gender equality approach.



## SECTION 8. FINANCIAL PLAN FOR THE FOREST INVESTMENT PROGRAM IN PERU

	Outcomes	MDB	Expected Allocation of funds from the Forest Investment Program (US\$)			Expected Co-finance (US\$)	Co-financing partners**	Total (US\$)
			Grant	Loan	Total			
Project # 1: Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto	Governance and land use planning	IDB	6,000,000	4,400,000	1,500,000	1,000,000	GoPE	2,500,000
	Legalization, titling and registration of property rights				4,200,000	1 000 000	IDB	5,200,000
	Enhancement of the value of environmental assets of forests and degraded areas				4,700,000	5,300,000	GoPE, JICA	10,000,000
	Project Management		1,000,000	0	1,000,000	0	NA	1,000,000
	Stakeholder Involvement Plan (PIA)		800,000	0	800,000	0	NA	800,000
	Project design		370,000	0	370,000	0	NA	370,000
	<b>Sub-total (US\$) Project # 1.</b>		<b>8,170,000</b>	<b>4,400,000</b>	<b>12 570 000</b>	<b>7 300 000</b>		<b>19,870,000</b>
Project # 2: Integrated landscape management in Atalaya, Ucayali Region	Governance and land use planning	BM	4,000,000	6,400,000	1,800,000	2,500,000	GoPE	4,300,000
	Legalization, titling and registration of property rights				2,000,000	2,000,000	IDB	4,000,000
	Enhancement of the value of environmental assets of forests and degraded areas				6,600,000	500,000	WB, JICA	7,100,000
	Project Management		1,000,000	0	1,000,000	0	NA	1,000,000
	Stakeholder Involvement Plan (PIA)		800,000	0	800,000	0	NA	800,000
	Project design		400,000	0	400,000	0	NA	400
	<b>Sub-total (US\$) Project # 2.</b>		<b>6,200,000</b>	<b>6,400,000</b>	<b>12,600,000</b>	<b>5,000,000</b>		<b>17,600,000</b>

Outcomes	MDB	Expected Allocation of funds from the Forest Investment Program (US\$)			Expected Co-finance (US\$)	Co-financing partners**	Total (US\$)
		Grant	Loan	Total			
Project # 3: Integrated landscape management along the main route between Puerto Maldonado and Inapari and in the Amaraeri Communal Reserve and beneficiary communities in the Region of Madre de Dios	IDB			1,400,000	8,000,000	IDB, GOPE	9,400,000
		3,500,000	6,700,000	1,500,000	1,000,000	IDB	2,500,000
				7,300,000	5,300,000	IDB, JICA	12,300,000
		1,000,000	0	1,000,000	0	NA	1,000,000
		800,000	0	800,000	0	NA	800,000
		370,000	0	370,000	0	NA	370,000
		<b>Sub-total (US\$) Project # 3.</b>		<b>5,670,000</b>	<b>6,700,000</b>	<b>12,370,000</b>	<b>14,000,000</b>
Project # 4. Strengthening of national forest governance and innovation	IDB			1,000,000	1,000,000	FCPF	2,000,000
				500,000	1,000,000	IDB	1,500,000
		5,000,000	5,700,000	3,500,000	4 000 000	FCPF, KfW, Moore, JICA	7,500,000
				3,700,000	2,000,000	IDB, WB	5,700,000
				2,000,000	3,000,000	GoPE	5,000,000
		1,400,000	0	1,400,000	0	NA	1,400,000
		360,000	0	360,000	0	NA	360,000
		<b>Sub-total (US\$) Project # 4.</b>		<b>6,760,000</b>	<b>5,700,000</b>	<b>12,460,000</b>	<b>11,000,000</b>
<b>Total (US\$) of the Forest Investment Plan</b>		<b>26,800,000</b>	<b>23,200,000</b>	<b>50,000,000</b>	<b>37,300,000</b>	<b>14 projects</b>	<b>87,300,000</b>

113. Out of the total budget considered for the Investment Plan, US\$ 14,500,000 will be earmarked for the items proposed by organizations of indigenous peoples, as follows:

- Titling of indigenous communities: US\$ 7,000,000
- Indigenous governance: US\$ 3,500,000
- Community Forest Management: US\$ 4,000,000

114. The specific allocation of these sums within the areas of intervention will be determined during preparation of the individual projects.

## SECTION 9. RESULTS FRAMEWORK

### Logical Model of the FIP-IP Peru

Final global result of the CIF (Climate Investment Fund) (15 - 20 years)	Strengthening of a low carbon development model resilient to climate change.		
Peru Transformative impact (10- 15 years)	Principal objective: Reduction of GHG emissions produced by deforestation and forest degradation and enhance carbon reserves in sustainable forest landscapes, thereby helping to reach the national target of “Declining net emissions to equivalent to zero in the category of Land Use, Land-Use Change and Forestry by 2021”.		
	Co-benefit 1: Poverty reduction in indigenous communities and among the local population, under a gender equality approach, by increasing income from management of sustainable forest landscapes and productive agroforestry mosaics.	Co-benefit 2: Reduction of the loss of biodiversity and maintenance of forest ecosystem services.	
Peru Catalytic replication results (5 – 10 years)	Principal objective: Reduction of GHG emissions produced by deforestation and forest degradation and enhance carbon reserves in sustainable forest landscapes, thereby helping to reach the national target of “Declining net emissions to equivalent to zero in the category of Land Use, Land-Use Change and Forestry by 2021”.		
	Consolidation of enabling conditions through forest landscape management instruments, policy and institutions.	Empowerment of indigenous communities and other local stakeholders in forest management.	Access to financial resources earmarked for sustainable forest landscape management.
PIF Program Products and Results (2 – 7 years)	Reduction of the pressure on forests and their ecosystems within PIF intervention areas.		
	Implementation of an institutional and regulatory framework to strengthen forest governance.	Enhancement of the value of the assets of forests and degraded areas.	
PIF Program Activities (1 – 7 years)	Reduction of the pressure on forests and their ecosystems within PIF intervention areas.		
	Investment in forest governance (improvement of forest and environmental governance).	Investment in guaranteeing land tenure (legalization, titling and registration of property rights).	Increase in forest competitiveness.
PIF Inputs	New and additional resources amounting to US\$50 million in donations and soft PIF loans and a further US\$36 million in co-financing through bilateral and multilateral REDD+ initiatives in Peru.		

**Table of results**

Results	Indicators To be refined in the specific project design	Baseline	Information and data source	Measurement and compilation details
<b>Principal objective</b>				
Reduction of GHG emissions produced by deforestation and forest degradation and increase in carbon reserves in sustainable forest landscapes.	a) Net reduction of tons of CO <sub>2</sub> equivalent emissions  b) Net tons of sequestered CO <sub>2</sub> equivalents.	Year 1 of implementation.	National monitoring and evaluation system (year 1 of implementation).	Potential emissions from gases escaping outside the selected areas of implementation are included in the estimate of net tons.
<b>Results expected from the FIP program</b>				
Poverty reduction among indigenous peoples and the local population benefited by the PIF Peru program.	a) Men and women's income, assets and/or access to natural resources b) Changes in access to basic services.	Year 1 of implementation.	Monitoring and evaluation of the PIF program and the National Institute of Statistics and Informatics.	The monitoring and evaluation system will be designed as part of the program readiness preparation. It will include a baseline and gender studies of each PIF beneficiary population.
Reduction of the loss of biodiversity and maintenance in forest ecosystem services.	a) Variation in forest fragmentation (rate and area) and/or conservation rate based on demonstration plots.  b) Reduction in the rate of native forest loss in the area of PIF intervention.	Year 1 of implementation.	Monitoring and evaluation system (being developed).	
Enabling conditions consolidated through use of instruments, policy and institutions for sustainable forest landscape management.	a) Approved instruments for facilitating land use planning processes. b) Agreements between the MINAM, MINAGRI and regional governments on REDD+ matters. c) National Monitoring, Reporting and Verification System (MRV) established.	Year 1 of implementation.	a) MINAM website.  b) and c) Project monitoring and evaluation.	Sources: reports of the monitoring and evaluation system and official public information. - The REDD+ strategy includes a system for registration, accreditation, supervision and sanctioning of REDD+ initiatives. - The indicators contain quantitative and qualitative elements.

Results expected from the FIP program

<p>Greater competitiveness of sustainable use of timber and non-timber forest resources.</p>	<p>a) Venture capital earnings invested in forests.  b) Productivity increase per hectare of forest.  c) Economic profitability of activities supported by the project.  d) Cost-effectiveness of activities supported by the project.</p>	<p>By the first year of implementation.</p>	<p>Project monitoring and evaluation.</p>	
<p>Innovation and impact on markets (business model and technological improvement).</p>	<p>a) Number of people or communities adopting innovative management technologies and models. *  b) Participation in new markets and opening of new niches.  b) Productivity Increase per agricultural production area.</p>	<p>By the first year of implementation.</p>	<p>Project monitoring and evaluation.</p>	<p>* For example, market participation mechanisms, forest certification or others.</p>

## SECTION 10. ENVIRONMENTAL AND SOCIAL SAFEGUARDS

115. The FIP-IP and the projects it will support will comply with the social and environmental regulations in effect in Peru and with the Environmental and Social Safeguards and other pertinent policies of the multilateral partners, including: (i) for the Inter-American Development Bank, the Environment and Safeguards Compliance Policy (OP 703), the Policy on Disaster Risk Management (OP 704), the Forestry Development Policy (OP 723), the Operational Policy on Indigenous Peoples and Strategy for Indigenous Development (OP 765), the Operational Policy on Gender Equality in Development (OP 761), The Involuntary Resettlement Policy (OP 710), and the Policy on Access to Information (OP 102), as well as sector policies on Rural Development (OP 752), and on Forest Development (OP 723); and (ii) with World Bank safeguards on Indigenous Peoples OP/BP 4.10, Involuntary Resettlement OP/BP 4.12, Forests BP 4.36, Physical Cultural Resources OP/BP 4.11 and Natural Habitats OP 4.04.

116. In compliance with those regulations, and during the initial design stage of the investment projects:

a. Socio-economic studies will be conducted in two phases: (i) a global assessment of the policy measures, regulatory decisions, programs and scenarios that will determine the design of Project No. 4 and a socio-environmental assessment of each project within its selected territorial area and (ii) regional socio-environmental assessments focusing on each area of intervention and its sphere of influence (direct and indirect), in order to identify direct, indirect and cumulative risks and effects, such as those stemming from migratory flows, displacement or leakage of degradation and deforestation activities, and impact of regulatory and institutional decisions --particularly at the regional level-- on the rights of forest-dependent communities, including native and riverine communities; and the identification of measures required to align activities or mitigate the socio-economic impact of activities and regulations of non-forest sectors, especially (existing and planned) transportation infrastructure, among other things.

b. Studies for the interventions in the regional areas will include and/or be supplemented as needed, according to the nature of the investment and in order to comply with specific safeguards. Using the findings of those specific studies, safeguard instruments and socio-environmental plans will be prepared for inclusion in each project so as to comply with the environmental and social safeguards of the respective MDB.

c. Consultation and participation processes will be carried out following the Stakeholder Engagement Plan ("Plan de Involucramiento de Actores" - PIA) (Annex 2) and the corresponding specific safeguard instruments, jointly with the actors involved and as a requirement for specific investment at the project level;

d. The final project designs will be prepared in light of the findings of those studies and results of those processes, to which will be added the plans for involvement of the groups affected and conflict resolution and socio-environmental mitigation mechanisms to deal with effects that cannot be remedied in the project design, particularly, among others, those the analysis is able to identify with relation to the following:

i. Protection of the use and access rights of forest-dependent communities to land and other natural resources, bearing in mind current and traditional use rights and risks of indirect displacement and impact on food security.

ii. Protection of high biodiversity areas within the areas of intervention and their spheres of influence, particularly with relation to leakage risks.

iii. Bridging of institutional gaps and reinforcement of the capacity of all actors involved in the projects' development.

iv. Incorporation of traditional practices and know-how in project designs and in the structure of regulations applicable to the different systems of rights titling and sustainable management of forests and agroforestry mosaics (for forest management consistent with reduced impact logging (RIL) and non-timber harvesting activities).

v. Appropriate sequencing of regulation and consolidation of sustainable forest and mosaic management (including, among other things, preparation of management plans and their impact assessment and environmental licensing or its equivalent), in order to keep increases in productivity and profitability from becoming incentives for the advancement of degradation and deforestation frontiers.

vi. Design of criteria for defining remaining forests, degraded areas and classification of soils and areas to plan land use and to ensure their compatibility with the safeguards and biodiversity co-benefits, including natural habitats in general and critical ones (for example, high-value conservation forest – HVCF).

vii. Protection of sites of cultural interest and value.

viii. Establishment of the baseline for the results matrix, especially in regard to co-benefits, community tenure of land and other resources, taking into account aspects of gender, biodiversity quality and quantity, small producer participation and income, monitoring of areas with leakage risks, and the extension of areas with land use studies and land use planning processes.

117. The FIP-IP and the projects it will support are intended to proactively consider a large percentage of the issues related to socio-environmental impact and risks and, at the same time, produce positive environmental, social and economic effects. The studies and the consultation and participation of the actors affected, as well as the consistency with FIP guidelines and the safeguard standards of multilateral partners will contribute to this undertaking.



## REFERENCES

- Ministerio de Agricultura. Dirección de Información y Control Forestal y de Fauna Silvestre (2012) *Perú Forestal en Números, año 2011*. Lima: DGFSS.
- CIFOR (2010) *Focus on forest: time to act. Annual report*. Bogor: CIFOR.
- IPCC (2006) *IPCC Guidelines for National Greenhouse Gas Inventories*. Hayama: IPCC.
- Holle, K., Huayca, J. (2012) *Pagos por servicios del paisaje en áreas naturales del Perú: efectivos pero limitados. En: ¿Gratis? Los servicios de la naturaleza y como sostenerlos en Perú*. Lima: Servicios Ecosistémicos.
- Perú. Ministerio de Comercio Exterior y Turismo (2011) *Estadísticas de arribos. Ministerio de Comercio Exterior y Turismo*. Lima: MINCETUR.
- Armas, A., et al. (2009). *Pagos por Servicios Ambientales para la conservación de bosques en la Amazonía peruana: Un análisis de viabilidad*. Lima: SERNANP.
- Asner, G.P., et al. (2010) *High-resolution forest carbon stocks and emissions in the Amazon*. PNAS, vol. 107 no. 38, 16738-16742.
- Baccini, A., et al. (2012). *Estimated carbon dioxide emissions from tropical deforestation improved by carbon-density maps*. *Nature Climate Change* 2, 182–185.
- Brack Egg, Antonio (s.f.) *La Biodiversidad del Perú y su Importancia Estratégica*. Recuperado de: <http://www.amb-perou.fr/index.php?module=articles&controller=article&action=show&id=15>
- CSR-UFMG (2011) *Los costos de oportunidad de reducir la deforestación en Madre de Dios, Perú*. Minas Gerais : Centro de Sensoramiento Remoto de la Universidad Federal de Minas Gerais.
- Defensoría del Pueblo, *Adjuntía para la Prevención de Conflictos Sociales y la Gobernabilidad (2012). Reporte de conflictos sociales N° 106*. Lima: Defensoría del Pueblo. Recuperado de: <http://www.defensoria.gob.pe/conflictos-sociales/objetos/paginas/6/51reporte-mensual-de-conflictos-sociales-n-106-dicie.pdf>
- Dirección de Información y Control Forestal y de Fauna Silvestre (2013) *Anuario Perú Forestal Lima: Dirección de Información y Control Forestal y de Fauna Silvestre*. Recuperado de: <http://dgffs.minag.gob.pe/index.php/produccion-y-comercio/estadistica-forestal>
- Dirección de Planificación. Gobierno Regional de Madre de Dios (2013) *Plan de ordenamiento territorial de Madre de Dios*. Puerto Maldonado: GOREMAD.
- Dirección General de Ordenamiento Territorial, Ministerio del Ambiente (2012) *Informe técnico no. 00011-2012-MINAM-DGOT-WYACTALLO*. Lima: MINAM.
- FAO (2010) *The Global Forest Resources Assessment*. Roma: FAO. Recuperado de: <http://countrystat.org/home.aspx?c=FOR&p=ab>
- Geist & Lambin (2002) *Proximate causes and underlying driving forces of tropical deforestation*. *Bioscience*, 52(2).
- Perú. Ministerio del Ambiente (2013) *Geoservidor MINAM*. Lima: MINAM.
- INDUFOR (2012) *Análisis del impacto y convergencia potencial de las acciones en marcha que inciden en la deforestación y degradación forestal*. Lima: INDUFOR.
- INDUFOR (2012) *Plan de Inversión Forestal. Componente III: elementos para la identificación de áreas con mayor potencial para reducir emisiones de GEI en el sector forestal*. Lima: INDUFOR.

Instituto Nacional de Estadística (2011) *Encuesta Nacional de Hogares (ENAHOG) 2007 – 2011*. Lima: INEI. Recuperado de: <http://inei.inei.gob.pe/inei/siemweb/publico/>

Instituto Nacional de Estadística e Informática (2012) *IV Censo Nacional Agropecuario- CENAGRO. Resultados Preliminares*. Lima: INEI. Recuperado en: <http://www.inei.gob.pe/biblioineipub/bancopub/Est/Lib1057/libro.pdf>

Josse, C., et al. (2007) *Ecological Systems of the Amazon Basin of Peru and Bolivia. Classification and Mapping*. Arlington: Nature Serve.

Kirkby, C., Giudice, R., Day, B., Turner, K., Soares-Filho, B.S., Oliveira-Rodriguez, H., Yu, D. (2011) Closing the ecotourism-conservation loop in the Peruvian Amazon. *Environmental Conservation*, 38 (1), 6–1

Mittermeier et al. (2004) *Hotspots revisited: earth's biologically richest and most threatened terrestrial ecoregions*. Washington: Conservation International: CEMEX.

Nature Services Peru (2012) *Estudio de involucramiento del sector privado en el Programa de Inversión Forestal (FIP) en Perú. Informe al comité directivo del Programa de Inversión Forestal Perú*. Lima: Nature Services Peru.

Nature Services Peru (2013) *Informe de avance Iniciativa BioClima*. Lima: Nature Services Peru.

Oficina Nacional de Evaluación de Recursos Naturales (1982). *Clasificación de las tierras en el Perú*. Lima: ONERN.

Oliveira, et al. (2006) *Land-Use Allocation Protects the Peruvian Amazon*. *Science*, vol. 317, no. 5842, 1233-1236.

Perú. Ministerio de Interculturalidad (2012) *Mapa de Comunidades Nativas*. Lima: Ministerio de Interculturalidad.

Perú. Ministerio del Ambiente (2012). *Memoria técnica de la cuantificación de la cobertura de bosque y cambio de bosque a no bosque*. Lima: Ministerio del Ambiente.

Perú. Ministerio del Ambiente, Dirección General de Cambio Climático, Desertificación y Recursos Hídricos (2012) *Riesgos Climáticos y Avances en la Política Pública en Adaptación al Cambio Climático*. Recuperado de: <http://www.ceplan.gob.pe/documents/10157/ffa9fe3f-6997-4d09-ac00-6485c1bb4318>

Programa de las Naciones Unidas para el Desarrollo- PNUD (2009). *Informe de Síntesis sobre asuntos clave relacionados al sector de la agricultura (Adaptación)*. Lima: PNUD.

Proyecto PROCLIM (2005) *Deforestación de la Amazonia Peruana – 2000*. Lima: CONAM.

Proyecto Segunda Comunicación Nacional de Cambio Climático (2009) *Inventario Nacional de Gases de Efecto Invernadero*. Lima: Ministerio del Ambiente.

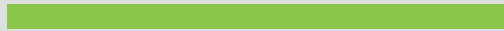
Soares-Filho, B.S. et al., (2006) Modelling conservation in the Amazon Basin. *Nature* 440, 520-523.

Swenson et al., (2011) Gold-mining in the Peruvian Amazon: Global Prices, Deforestation, and Mercury Imports. *PLoS ONE* 6(4): e18875. doi:10.1371/journal.pone.0018875

White, D., S.J. Velarde, J.C. Alegre, T.P. Tomich (2005) *Alternatives to Slash-and-Burn (ASB) in Peru, Summary Report and Synthesis of Phase II. Alternatives to Slash-and-Burn Programme*. Nairobi: ASB Programme.

Yu, D.W., et al., (2010) Conservation in Low-Governance Environments. *Biotropica*, 42, 569-571.

# ANNEXES



## ANNEX 1: INVENTORY OF PROPOSED PROJECTS

		Amount (US\$)		
Projects	MDB	FIP	Co-financing	Total
Project #1: Integrated forest landscape management along the main route between Tarpoto and Yurimaguas in the regions of San Martín and Loreto	IDB	12,570,000	7,300,000	19,870,000
Project #2: Forest Planning and Management to prevent deforestation and illegal logging in Atalaya, region of Ucayali.	WB	12,600,000	5,000,000	17,600,000
Project #3: Integral forest landscape management on the main route between Puerto Maldonado and Iñapari and in the Amarakaeri communal reserve and beneficiary communities of the Madre de Dios region.	IDB	12,370,000	14,000,000	26,370,000
Project #4: Strengthening of national forest governance and innovation Project design and formulation	IDB	12,460,000	11,000,000	23,460,000
<b>Total (US\$)</b>		<b>50,000,000</b>	<b>37,300,000</b>	<b>87,300,000</b>

## **A.1.1. PROJECT 1: Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the regions of San Martín and Loreto**

### **A.1.1.1. Project partners and collaborators**

1. The Ministry of the Environment (MINAM) and the Inter-American Development Bank (IDB) will be the lead institutions on the part of the government and of the multilateral development banks, respectively. For the project's implementation, the MINAM will coordinate with the regional governments of San Martín and Loreto and their pertinent subordinate bodies, the Agriculture Ministry --particularly SERFOR--, the Ministry of Economy and Finance, the Vice-Ministry for Interculturality, and the Forest and Wildlife Resources Supervisory Body (OSINFOR), as well as with the indigenous peoples, organized civil society and entrepreneurial sector in both regions.

### **A.1.1.2. Statement of the Problem and Justification**

2. The departments of San Martín and Loreto rank at the top in deforestation, with 1,448,118 and 1,069,625 hectares of deforested land, respectively<sup>1</sup>. Deforestation is currently spreading from northeastern San Martín to the province of Alto Amazonas, which is the most deforested province in the Loreto region. The direct causes of deforestation are mainly small-scale farming and stockbreeding, inasmuch as three-quarters of the deforestation is taking place in areas about half a hectare in size. However, agro- industrial crops like oil palm and hearts of palm, however, are also rapidly expanding.

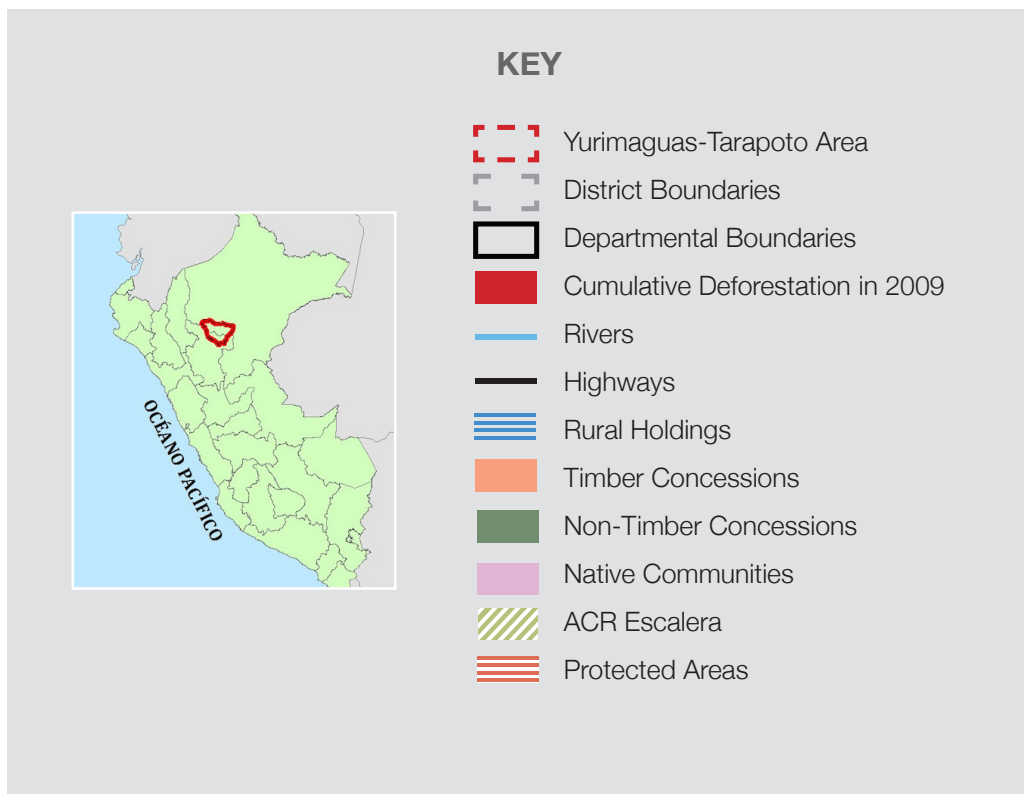
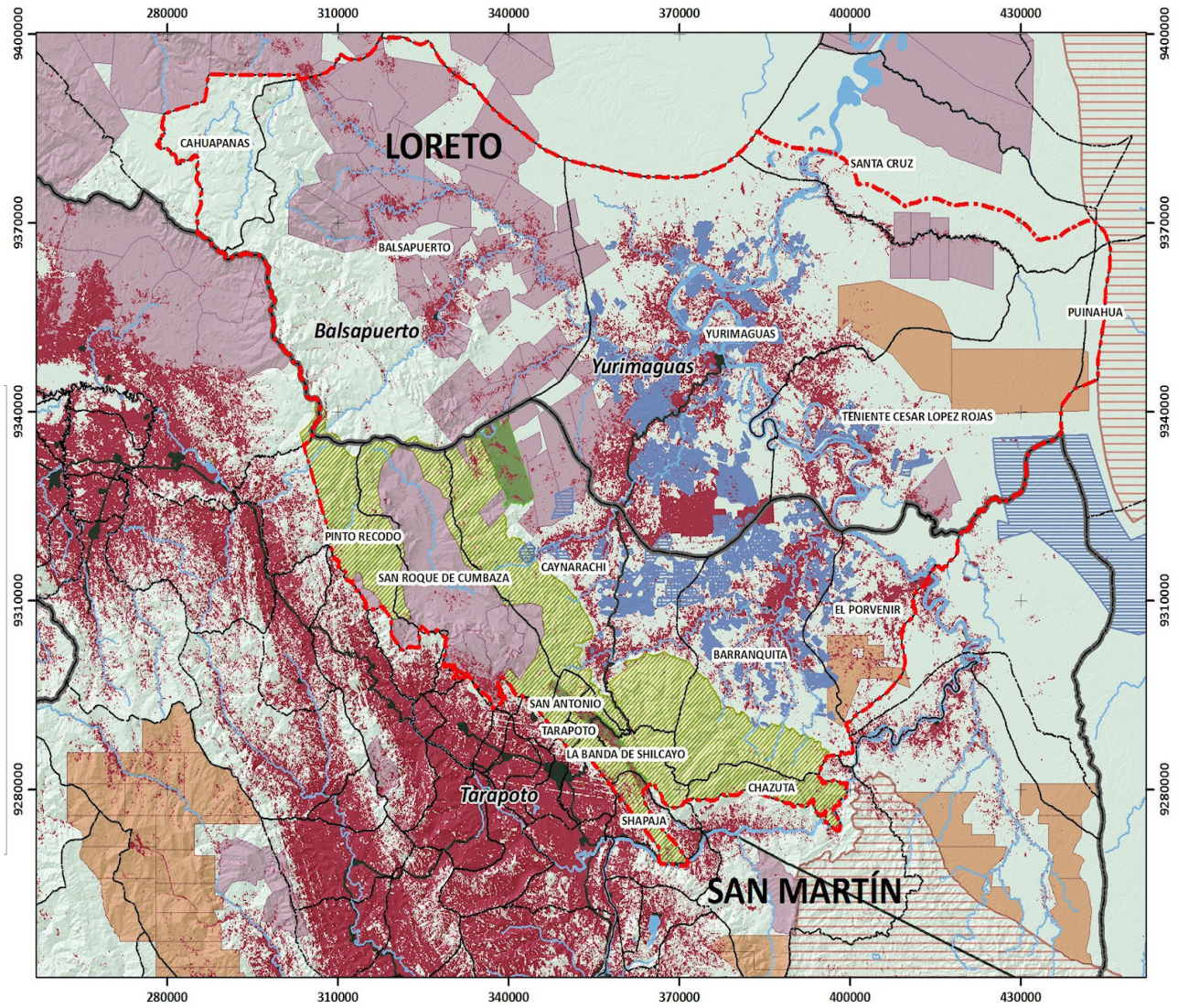
3. The project intervention area is the bi-regional main route from Tarapoto to Yurimaguas covering a little over 1,200,000 hectares (see Figure A.1.1.1). At least 189,540 hectares have already been deforested (see Table A.1.1). Annual deforestation on the San Martín-Loreto border is approximately two times the national average rate reported by FAO in 2010 (0.32%) and four times that revealed more recently by the MINAM (0.15% - MINAM Geoserver 2013). In this area, rights have not yet been allocated to over 540,000 hectares (44.8%).

---

<sup>1</sup>DGOT-MINAM, 2012



Figure A.1.1.1. The Loreto-San Martin Intervention Area



4. Despite recent advances, forest and environmental governance are still weak and need improvement in the intervention area. The situation is further compounded by the agricultural potential and illegal occupation of public lands, the latter being one of the main problems associated with deforestation. This “race to obtain titles to land in forested areas” is triggering illicit rural road building, followed by illegal logging, deforestation and social conflicts. Worsening the picture are the reduced budget and personnel available for natural resource management, the unfinished decentralization process, without clearly defined functions and areas of responsibility, and the delayed entry into operation of the new environmental, forest and agrarian institutions.

5. The lack of forest zoning/planning in Alto Amazonas province, the difficulty in applying such planning in San Martín, and the lack of land use planning when new access routes are opened, are contributing to informal occupation of forestlands. Furthermore, the purchase of land from farmers who hold plots, in order to put together larger areas for agro-industry (mainly oil palms and hearts of palm) by crowding out these people, is building up new pressure on nearby forests. Governance problems (lack of investment in public institutions, slowly advancing decentralization, and incomplete allocation of property rights) reduce the effectiveness of the already existing array of forest/environmental management instruments.

6. In addition to measures to improve forest and environmental governance, economic activities<sup>2</sup> need to be promoted that combine social inclusion processes, income improvement and sustainable use of forest resources. Low value-added products continue to dominate forest, agroforestry, silvo-pastoral and tourism value chains in the intervention area. As in other tropical areas, small farmers and native communities, when seeking new products and to establish new chains, face obstacles in trying to engage in commercial transactions with companies (Barrett, 2011). Generally speaking, the hallmarks of these activities are very low land and labor productivity levels. In the case of agroforestry systems, which show higher productivity levels, the barriers they face have to do with the high cost of their establishment, the long period before returns can be obtained and the large amount of labor needed to maintain the system.<sup>3</sup>

**Table A.1.1.1. Land tenure categories and annual deforestation rates<sup>4</sup> in the Tarapoto-Yurimaguas area**

Tarapoto-Yurimaguas Area	Forested Area (ha)	2000			2010			Annual deforestation rate 2000-2010
		Deforestation (ha)	Remaining Forest (ha)	Others*	Deforestación (ha)	Remaining Forest (ha)	Others*	
Total	1 204 910	127 138	1 003 254	74 518	189 540	940 852	74 518	0.64 %
Timber Concessions	54 052	113	53 931	8	1487	52 557	8	0.26%
Conservation Concession	3464	408	3016	40	496	2928	40	0.30%
Non-Timber Concession	3860	994	2637	229	1324	2307	229	1.34%
Native Communities	251 211	16 455	228 209	6547	23 982	220 682	6 547	0.34%
ACR Cerro Escalera	147 995	3176	115 756	29 063	4 731	114 201	29 063	0.14%
Rural Holdings	70 439	14 642	54 491	1306	25 470	43 663	1306	2.22%
Forests areas without assigned forest rights	673 889	91 350	545 214	37 325	132 050	504 514	37 325	0.78%

Prepared by: FIP technical team, on the basis of deforestation data reported by the San Martín regional government and the San Martín REDD+ Roundtable, 2013.

<sup>2</sup>Economic development alternatives should be in keeping with the traditional practices and situation of the indigenous peoples.

<sup>3</sup>White et al., 2005

<sup>4</sup>The annual deforestation rate has been calculated using the formula proposed by Puyravaud, 2002.

\* The Others category includes naturally unforested areas and areas for which no multi-temporal deforestation analyses can be made due to the presence of clouds in the available satellite images.



7. The foregoing is reflected in the deforestation analysis set out in Table A.1.1.1. The annual deforestation rate in agricultural holdings is 2,22%, revealing the very rapid encroachment of the agricultural frontier, overwhelming areas suitable for farming to invade timber and non-timber concessions and government lands. In areas where rights have not been allocated, deforestation runs at 0,99%, 3 times the average rate in forest concessions (0,31%) and in native communities (0,34%). This project is designed to help overcome the principal factors limiting the reduction of deforestation and forest degradation. In particular, the project will reinforce inter-sector landscape management, consolidate forest/environmental management instruments, support native community land titling and/or expansion and the formalization of tenure (property titles or assignment of use contracts, in accordance with the forest planning category), promote business models by facilitating adoption of efficient production technologies and help small producers and native communities to find a place for themselves in high value-added chains.

### **A.1.1.3. Proposed Investment Strategy**

#### **Objective**

8. The project objective is to reduce GHG emissions associated with deforestation and forest degradation and augment carbon reserves in the Tarapoto – Yurimaguas area of the San Martin and Loreto regions.

#### **Specific objectives:**

- a. Contribute to reduction of the pressure for deforestation and degradation by implementing the integral management model in the intervention area.
- b. Support the legalization, titling and registration of the property rights of native communities and other forest users.
- c. Assist in the recovery of degraded agricultural areas with agroforestry and agrosilvopastoral systems.

### **Component 1: Governance and land use planning.**

9. **Capacity-building:** Technical and operational capacity-building (roles, responsibilities and resources) of regional authorities, local governments, native communities, indigenous organizations, organized civil society and the entrepreneurial sector linked to the forestry and agricultural sectors, including:

- a. Regional Environmental Authority (including the Regional Forest and Wildlife Authority, the Forest and the Wildlife Management Units, the Land Management Units proposed by the Forestry Law and other institutions with key functions).
  - i. Build up the capacity to manage timber and non-timber forest concessions and to implement community forest management.
  - ii. Build up the capacity of the region to apply information produced by the national system for monitoring deforestation.
  - iii. Build up state control systems, in coordination with civil society and indigenous forest transparency and oversight initiatives, taking advantage for that purpose of the North IIRSA highway control infrastructure.
- b. Regional Bureau of Agriculture
  - i. Build up the capacity to implement the sole regional cadastral system within the National Land Management System.
  - ii. Build up the capacity to develop agroforestry and forest plantation systems.
- c. Forest and Wildlife Management Committees
  - i. Build up the capacity to help with control and surveillance activities
- d. Community Forest Oversight bodies
  - i. Develop the operational capacity and infrastructure of native communities for forest monitoring, control and surveillance.

10. **Strengthening of forest resource management instruments:** This means supporting land use and forest planning and preparation of natural resource management tools, while promoting efficient implementation of mechanisms for access to the resources, using an inter-cultural approach when appropriate, including:



- a. Contributing to the consolidation of land use and forest planning, based on advances made to date in the region, including the support of studies like:
  - i. Technical and economic viability assessments of concessions that have been granted, in order to uphold the process of disencumbrance of production forests.
  - ii. Evaluation of the use of as yet nonexistent units with the potential to incorporate small loggers and shiringa producers, such as local forests.
- b. Assisting with the micro-zoning of the private farm holdings and native communities along the major highway that are being subjected to the heaviest pressure.
- c. Disencumbering land titles to permanent production forests and private rural holdings.
  - i. Support disencumbrance, except of areas already earmarked for other uses or that could have objectives that conflict with those of local populations.
- d. Facilitating coordination with and support for local and regional processes by national authorities such as SERFOR (MINAG), OEFA (MINAM), SERNANP (MINAM), and OSINFOR (PCM), as well as indigenous organizations, among others.
  - i. Help with the preparation of the Regional Development Plan.
  - ii. Contribution to implementation of the Regional Strategy on Climate Change.
- e. Promoting forest certification using standards compatible with the region's ecosystems and the forest concessions model regulated by the Forestry Law.
  - i. Support and implement agreements for gradually moving toward having certified sustainable forest management.
- f. Supporting initiatives for creating private conservation areas inside agricultural holdings and community conservation areas in native communities.
  - i. Help prepare the technical file.
  - ii. Assist in preparing economic instruments to incentivate the creation of private and community conservation areas.
- g. Supporting implementation of the jurisdictional REDD
  - iii. Contribute to consolidation of the jurisdictional REDD+ and Amazonian Indigenous REDD (RIA) approaches, in coordination with the Regional REDD+ Roundtable.
  - iv. Secure regional support for the national REDD+ strategy and national processes to enhance the value of ecosystem services.
  - v. Boost regional and community RIAs

## **Component 2: Legalization, titling and registration of property rights**

11. Action taken under this component aims to support physical and legal disencumbrance processes that include the recognition, titling and physical and legal disencumbrance of the lands occupied by native communities.

## **Component 3: Enhancement of the value of environmental assets of forests and degraded areas**

12. Measures taken under this component will be designed to increase the competitiveness and sustainability of forest resource use, contribute to recovery of degraded and reforested forests<sup>5</sup> and agroforestry systems and promote ecotourism activities with native communities and agricultural producers. The following interventions are proposed:

- a. **Promotion of organization**, in order to reduce transaction costs, increase the scale of production, enhance bargaining power, and develop relationships of strategic collaboration with companies, so as to cover the cost of organization and formalization.
- b. **Promotion of the development of a business management capacity**, in order to meet the demands of high value-added chains:
  - i. Contribute to preparation of native community forest management, business and living plans.
  - ii. Offer technical training: administration, market intelligence, technical aspects of the production, acquisition and distribution of inputs, meeting bureaucratic demands for approval of forest management plans and contract negotiation.
  - iii. Facilitate establishment of relations with companies.<sup>6</sup>

<sup>5</sup>The options will be defined during project design, in accordance with land zoning, suitability and situation/use.

<sup>6</sup>Define mechanisms that will ensure that these companies meet required social and environmental performance standards.

c. **Promotion of the adoption of new technologies** and improvement of the use of existing technological packages:

- i. Strategic inputs and projects for sustainable and competitive management of forests and degraded areas (specialized machinery, improved planting stock, etc.).
- ii. Specialized and temporary labor to help develop a business management capacity.
- iii. Technical services and assistance for production, processing and marketing activities.

#### **A.1.1.4. Transformative impact and proposed co-benefits**

13. The series of proposed interventions target priority investment in consolidating sustainable forest resource use. Accordingly, the intention is to create a low GHG emission rural development model based on protection and management of forest resources, recovery of degraded areas and recognition of the rights of the local population, particularly native and riverine communities and small producers. As a result, this project will apply instruments at the landscape level (regulations, institutions, financing) in the San Martín and Loreto regions, which, if successful, can be converted into public policy on an Amazon-wide and even a national scale. The expected transformative effects are:

##### **Reinforced forest tenure and rights of vulnerable populations**

14. Recognition of the rights and reinforcement of the forest management of native and riverine communities and small producers: Taking an inclusive approach and one of respect for indigenous territory, the project promotes interventions that will contribute to ensuring community forest management. Inasmuch as this is one of the regions with the largest number of migrants in search of lands to occupy and with a serious problem of superimposition of land rights, the project emphasizes the need to consolidate land use planning, in order to give local inhabitants assurance in working toward a low-emission development model, in harmony with neighboring native communities.

##### **Integrated forest landscape management**

15. The intervention will take a public-private-community territorial approach by supporting authorities of the provinces of Lamas, San Martín, Yurimaguas and Balsapuerto, incorporating economic, social and environmental planning with a territorial dimension and efficiently organizing the interventions of the various different sectors and civil society in the area and orienting conservation and sustainable use of the land. Those authorities will ensure that the forest planning will be in line with local development plans.

##### **Consolidation of institutional arrangements for REDD+**

16. The regions of San Martín and Loreto are in the process of consolidating the participation of civil society and native communities around REDD+ structuring at the sub-national level, in compliance with national guidelines. This project is part of phase 2 of REDD+, that of promoting investment in reducing emissions and increasing carbon reservoirs in the land use and land-use change category. In this way, the intervention area constitutes a model for other Amazon regions and contributes significantly to the national REDD+ nested architectural approach.

##### **Systemic Competitiveness of the Forest and Agroforestry Sectors**

17. Ensure the creation of competitive forestry and agroforestry value chains by helping small producers, native communities and the entrepreneurial sector to: i) identify potential buyers; ii) obtain the necessary technology for sustainable production, processing or storage and related training; iii) secure access to appropriate inputs, financial services and infrastructure; and iv) develop the capacity to satisfy buyer quality requirements and the required level of contract negotiation and performance.

#### **A.1.1.5. Preparation for implementation**

18. The GOP will manage the project on the three levels described in section 6.4 of the IP: the strategy level, for which the FIP Inter-Ministerial Committee is responsible; the management level, of which the Project Coordination Unit (UCP) within the MINAM National Forest Conservation Program – PNCF is the party in charge; and the local implementation level, for which the regional governments of San Martín and Loreto and the national programs of the pertinent sectors are responsible.

19. The design stage of the Investment Plan was coordinated with the regional governments of San Martín and Loreto and several local actors in the intervention area, by taking up contributions to the proposal and confirming their commitment and willingness to advance the project design process and its subsequent implementation. The central vehicle for coordination at the intervention area level is understood to be the Regional Environmental Authorities (REAs) and their Land Management Units (Ugs) yet to be formed. These bodies will coordinate, through the Project Coordination Unit, with sector programs and institutions (AGROIDEAS, INIA) and those of the central government that are participating in the project, particularly in Component 2.

### A.1.1.6. Possible national and international partners, including their financial support for REDD+

20. Among the principal potential allies for this project's implementation, it is important to mention AGROIDEAS, the MINAG Land Titling and Registration Program - PTRT, The MINAG-CAF Forest Program and the INIA National Agricultural Innovation Program. It is likewise important to involve in the project's organization and the action it takes the Shawi and Kukama indigenous federations, representatives of the forestry and agroforestry entrepreneurial sector, and the NGOs and research centers participating in the San Martín and Loreto REDD+ roundtables, especially the Jurisdictional REDD+ Initiative being advanced by the San Martín regional government.

### A.1.1.7. FIP-IP Financing fundamentals

Criterion	Justification
Climate Change Mitigation Potential	By conservative estimates (given continued deforestation at its historical rate over the next 7 years), emissions in the project area would amount to 21.6 MTCO <sub>2</sub> by 2021. Direct and indirect project interventions could conceivably reduce deforestation and forest degradation by 50%, equivalent to 10.8 MTCO <sub>2</sub> , and increase the carbon stock by 3 million tons as a result of the establishment of forest plantations, agroforestry systems and secondary forest management, giving a mitigation potential of 13.8 MTCO <sub>2</sub> .
Scaling-up Potential	Pilot application of forest planning and of forest management and wildlife management units to be established at the regional level will make it possible to extract lessons that could be applied to similar zones in the Amazon. Interventions in the management of public and community forests, including local forests, are applicable to a large part of Peru's Amazon. Conversion into public policy of instruments that operate successfully will be part of the escalation policy.
Implementation Potential	The regional governments of Peru's Amazon are aware of the need to address deforestation problems and for that reason are creating environmental authorities and advancing forest zoning and planning. Local populations in the project area are feeling the effects of deforestation on water availability. Express requests are being received for assistance in earning a living without damaging forests and in raising land productivity. There is no social or political violence in the project area to jeopardize its implementation.
Co-benefits	Forest-centered land use planning will make it possible to lead agricultural development --including export and agro-industrial crops-- without damaging primary forests, by recovering areas already affected by human activity and increasing productivity, thereby contributing to development and to overcoming poverty. Similarly, forest conservation will safeguard biodiversity, including protected areas that are extremely valuable for the provision of other ecosystem services, like water. Governance will be bolstered technically and in terms of transparency and participation, thus facilitating implementation of complementary public and private projects.
Safeguards	Indicators will be identified in each project, as explained in Section 10 below.

### A.1.1.8. Safeguards

21. The FIP-IP will be compatible with existing socio-environmental regulations in effect in Peru and with the Environmental and Social Safeguards of the multilateral stakeholders. The project will comply with the provisions of the Prior Consultation Law (Law 29785) and its regulations (DS 1-2012-Culture) and with IDB environmental regulations and safeguard measures, including: the Environment and Safeguards Compliance Policy (OP 703), the Policy on Disaster Risk Management (OP 704), the Forestry Development Policy, the Operational Policy on Indigenous Peoples and Strategy for Indigenous Development (OP 765), the Operational Policy on Gender Equality in Development (OP 761), the Policy on Involuntary Resettlement (OP 710) and the Policy on Access to Information (OP 102), as well as the sector policies on Rural Development (OP 752) and on Forest Development (OP 723), while providing guarantees that land occupied by indigenous peoples will not be affected, whether titled or not, in order to prioritize titling and measures to prevent encumbrance, and that Indigenous Peoples in Isolation and in Initial Contact (PIACI) will be included in the specific regulations.

### A.1.1.9. Financing Plan

Outcomes	MDB	Expected Allocation of funds from the Forest Investment Program (US\$)			Expected Co-finance (US\$)	Co-financing partners**	Total (US\$)
		Grant	Loan	Total			
Governance and land use planning	IDB			1,500,000	1,000,000	GoPE	2,500,000
Legalization, titling and registration of property rights				4,200,000	1,000,000	IDB	5,200,000
Enhancement of the value of environmental assets of forests and degraded areas		6,000,000	4,400,000	4,700,000	5,300,000	GoPE, JICA	10,000,000
Project Management		1,000,000	0	1,000,000	0	NA	1,000,000
Stakeholder Involvement Plan (PIA)		800,000	0	800,000	0	NA	800,000
Project design		370,000	0	370,000	0	NA	370,000
Total (US\$)		8,170,000	4,400,000	12,570,000	7,300,000		19,870,000

### A.1.1.10. Project readiness preparation schedule

Stages	Indicative Dates
Investment Plan (FIP) approval	October 2013
Start preparation activities	January 2014
Preparation and consultation	September 2014
Evaluation	November 2014
Approval (FIP SC)	December 2014
Approval (IDB Board of Directors)	May 2015

## **A.1.2. PROJECT 2: Forest planning and management to prevent deforestation and illegal logging in Atalaya, region of Ucayali**

### **A.1.2.1. Project Partners and Collaborators**

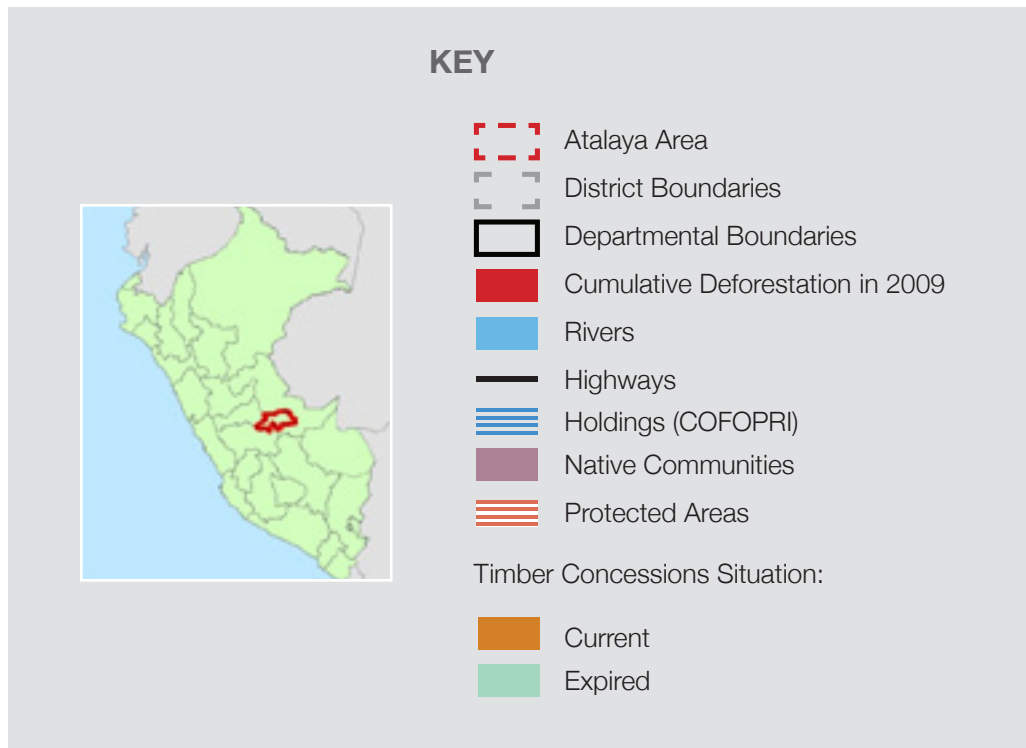
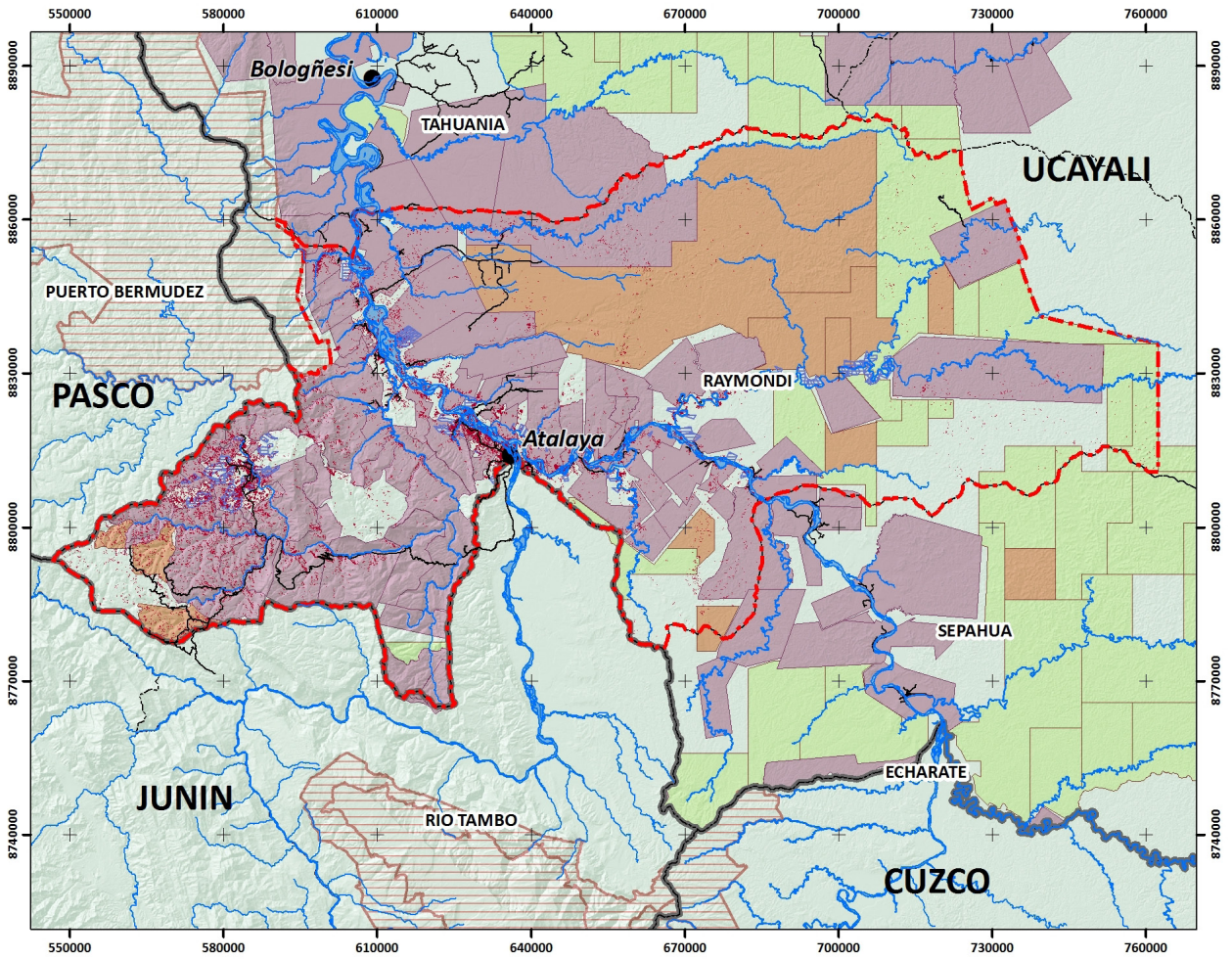
22. The Ministry of the Environment (MINAM) and the World Bank (BM) will be the lead institutions on the part of the government and of the multilateral development banking system, respectively. For the project's implementation, the MINAM will coordinate with the Ucayali regional government and its pertinent subordinate bodies, the Ministry of Agriculture —especially SERFOR—, the Ministry of Economy and Finance, the Vice-Ministry for Interculturality, and the Forest and Wildlife Resources Supervisory Body (OSINFOR), as well as with the indigenous peoples, organized civil society and the entrepreneurial sector in Atalaya province.

### **A.1.2.2. Statement of the Problem**

23. For five decades, Ucayali has been Peru's foremost timber region and its capital city of Pucallpa, the main headquarters of the country's timber industry. The construction —70 years ago— of the Federico Basadre highway linking Lima to Pucallpa made it possible to reach the forests in central and northern Ucayali and even in neighboring regions like Loreto and Huánuco. It also triggered the practice of agriculture in areas along the highways. Today, with over 769,000 ha of deforested land, Ucayali is the fifth most deforested region of Peru. What occurred in Pucallpa now appears to be happening in Atalaya province, which was recently linked up to the national road system. A highway linking Atalaya to Puerto Ocopa has significantly reduced travel time to the coast, also making it unnecessary to transport timber to Pucallpa by river.



Figure A.1.2 .1. Ucayali: Atalaya Province



24. The project intervention area is the Atalaya province in the Ucayali region and specifically the district of Raimondi. It covers an area of 1,235,074 hectares (31% of Atalaya province). As can be seen in Figure A.1.2, 562,148 hectares of this district have been granted to native communities (45.5%). Forest concessions account for 33.8% of the area (417,503 ha) and agricultural holdings for only 1% (12,141 ha), leaving a still considerable expanse of 243,383 hectares under uncertain tenure or with unallocated rights. The existence of a shorter and more rapid highway and the presence of large, relatively less exploited forests constitute an attractive incentive for the transfer --at least in part-- of Satipo's installed industrial capacity to Atalaya. This would be similar to what happened in the past, when that capacity was moved from the central jungle to Pucallpa.

25. Magnifying the risk posed by the Lima-Puerto Ocopa-Atalaya highway are the almost nonexistent presence of the state and weak forest governance in the province. This situation can be traced to, among other things, the limited budget and personnel available for natural resource management, the existence of illegal logging systems dating back many years and that have become strongly rooted, and the chronic lack of quality information on which to base that management. In this unfavorable scenario of weak governance, it is quite likely that the new highway will trigger a flow of migrants and their illicit and disorderly land occupation and the proliferation of illegal logging activities that will produce deforestation and forest degradation patterns similar to those along the Federico Basadre highway.<sup>9</sup>

26. In addition, the competitiveness of sustainable forest management in Ucayali is almost nil, due mainly to: (i) the unfair competition of illegal loggers in concessions, community lands and areas that have not been placed in any category or in which there are no defined rights, (ii) sluggish and costly bureaucratic processes and compulsory administrative payments to the state, (iii) lack of needs-tailored financial mechanisms (that consider the sector's seasonal nature and periods), (iv) obsolete machinery and equipment whose inefficiency make timber harvesting and transportation more expensive, (v) absence of secondary processing, making it more expensive to transport raw material to Lima markets, and (vi) low timber harvest volumes per hectare, making the logging of only a very few species worthwhile (5 of 21)<sup>10</sup>. At the regional level, only 67 concessions out of a total 155 are operating lawfully<sup>11</sup> --in other words, barely 1 million of the 2.7 million hectares that have been granted. The preliminary conclusion to be reached is that the greater part of the 500 thousand m<sup>3</sup> of timber from Ucayali that are marketed come from sources that are not sustainable.

**Table A.1.2.1. Land tenure categories and annual deforestation rates<sup>12</sup> in the Atalaya area**

Atalaya Area	Forested Area (ha)	2000			2009			Annual Deforestation Rate 2000-2009
		2000 Deforestation (ha)	Remaining Forest (ha)	Others*	2009 Deforestation (ha)	Remaining Forest (ha)	Others*	
Total	1,235,074	39,476	899,607	295,991	43,215	895,868	295,991	0.05 %
Timber Concessions	417,503	4,883	317,805	94,815	2,864	319,824	94,815	-0.07%
Native Communities	562,148	18,271	407,882	135,995	22,046	404,107	135,995	0.10%
Rural Holdings	12,141	1,687	7,729	2,725	2,063	7,353	2,725	0.55%
Forest areas without wassigned forest rights	243,282	14,635	166,191	62,456	16,242	164,584	64,456	0.11%

Prepared by: FIP technical team, based on DGOT/MINAM, 2012 deforestation data.

\* The Others category includes naturally unforested areas and areas for which no multi-temporal deforestation analyses could be made because of the presence of clouds in the available satellite images.

<sup>9</sup>White et al., 2005.

<sup>10</sup>Interviews with APROFU, 2013.

<sup>11</sup>OSINFOR- Ucayali Office, 2013.

<sup>12</sup>The annual deforestation rate has been calculated using the formula proposed by Puyravaud in 2002.

27. The foregoing is reflected in the deforestation analysis set out in Table A.1.2. Generally speaking, the area shows evidence of a low annual deforestation rate of 0.05%. This rate is eleven times higher (0.55%) in private agricultural holdings, however. The studies made by Oliveira, Asner et al. in 2006 reveal Atalaya to be one of the country's main areas of forest degradation.

28. Specifically speaking, the project will strengthen sector and inter-sector governance, complete the allocation of rights of use and consolidate forest/environmental management instruments. It will also contribute to reduction of organizational and productivity shortcomings in community forest management and the establishment of native community links with high value-added chains and suitable business partners, in order to make sustainable forest activities more competitive.

### **A.1.2.3. Proposed Investment Strategy**

#### **Objective**

29. The Project objective is to reduce GHG emissions associated with deforestation and forest degradation and augment carbon reserves in Atalaya province of the Ucayali region.

#### **Specific Objectives:**

- a. Develop a participatory planning model for forest planning and community forest management.
- b. Reinforce the forest tenure systems and property rights of indigenous and farming communities.
- c. Build up the technical capacity of indigenous communities, local governments and other local actors and their capacity for internal governance, with a view to achieving sustainable forest management.

#### **Component 1: Governance and land use planning.**

30. **Capacity-building:** technical and operational capacity-building (roles, responsibilities and resources) among regional authorities, local governments, native communities, organized civil society and forestry and agroforestry businesses, including:

- a. Regional Environmental Authority (as well as the Regional Forest and Wildlife Authority, the Forest and Wildlife Management Units, and the Land Management Units proposed by the Forest Law, and other institutions with key functions).
  - i. Build up the capacity to manage timber and non-timber forest concessions.
  - ii. Build up the capacity of the region to apply information produced by the national deforestation monitoring system.
  - iii. Build up state control systems synergistically with the efforts of the different organizations (indigenous population, civil society) and the formal entrepreneurial sector.
- b. Regional Bureau of Agriculture
  - i. Build up the capacity to implement the sole regional cadastral system within the National Land Management System.
  - ii. Build up the capacity to develop agroforestry systems.
- c. Forest and Wildlife Management Committees
  - i. Build up the capacity to contribute to control and surveillance activities.
- d. Surveillance systems for indigenous peoples in isolation or in initial contract
  - i. Build up the capacity and operational infrastructure for assisting in control and surveillance activities.
- e. Community Forest Oversight bodies
  - i. Develop the operational capacity and infrastructure of native communities and their organizations for forest monitoring, control and surveillance, with the assistance of government institutions.

31. **Strengthening of forest resource management instruments:** This means supporting land use and forest planning processes and preparation of natural resource management tools, while promoting efficient implementation of mechanisms for access to the resources, taking an inter-cultural approach as applicable, including:

- a. Supporting consolidation of land use and forest planning, with technical and economic viability assessments of concessions that have been granted, in order to underpin legal disencumbrance of production forests.
- b. Contributing to micro-zoning along the new major highway and promoting adoption of agroforestry practices in private agricultural holdings.



- c. Promoting preparation of management plans for permanent production forests (BPPs), as stipulated in the Forest and Wildlife Law.
- d. Disencumbering land titles to permanent production forests and private rural agricultural holdings
  - i. Support land title disencumbrance, except in areas already allocated for other uses or that could have objectives that conflict with those of native communities.
- e. Facilitating coordination with and support for local and regional processes by national authorities and those of the SERFOR (MINAG), OEFA (MINAM), SERNANP (MINAM), and OSINFOR (PCM), among others.
  - i. Contribute to preparation of the Regional Forestry Plan.
  - ii. Assist in the implementation of the Regional Climate Change Strategy.
- f. Promoting forest certification using standards in keeping with the region's ecosystems and the forest concessions model regulated by the Forest and Wildlife Law.
  - i. Support processes and implement agreements in order to gradually advance toward having certified MFS.
- g. Contributing to initiatives for the creation of community conservation areas in native communities.
  - i. Help with the preparation of the technical file.
  - ii. Assist in the preparation of economic incentives for the creation of community conservation areas.
- h. Supporting implementation of the jurisdictional REDD+.
  - i. Contribute to consolidation of the jurisdictional REDD+ approach in coordination with the Regional REDD+ Roundtable.
  - ii. Secure regional support for the National REDD+ Strategy and national processes, in order to enhance the value of ecosystem services.

### **Component 2: Legalization, titling and registration of property rights**

32. The measures under this component are aimed at supporting physical and legal disencumbrance processes that include recognition, titling and physical and legal disencumbrance of land held by native communities and small producers.

### **Component 3: Enhancement of the value of the environmental assets of forests and degraded areas**

33. The action taken under this component will be oriented toward making sustainable forest resource use more competitive by helping to establish agroforestry systems and promote other activities amenable to native communities and small producers, in collaboration with suitable business partners. The following interventions are proposed:

- a. Promotion of organization, in order to reduce transaction costs, increase the scale of production, improve bargaining power, and develop relationships of strategic collaboration with companies, so as to cover the cost of organization and formalization.<sup>13</sup>
- b. Promotion of the development of a business management capacity, in order to meet the demands of high value-added chains:
  - i. Preparation of native community living plans and business plans<sup>14</sup> as part of the former.
  - ii. Technical training: administration, market intelligence, technical aspects of the production, acquisition and distribution of inputs, meeting bureaucratic demands for approval of forest management plans and contract negotiation.
  - iii. Facilitating the establishment of relations between communities and companies.
- c. Promotion of the adoption of new technologies and improvement of the use of existing technological packages:
  - i. Strategic inputs for sustainable and competitive forest management (specialized machinery, communications and information systems, etc.).
  - ii. Specialized temporary labor to contribute to the development of a business management capacity.
  - iii. Technical assistance and services for production, processing and marketing activities.

#### **A.1.2.4. Transformative impact and proposed co-benefits**

34. The series of proposed interventions target priority investment in consolidating sustainable forest resource use. Accordingly, the intention is to create a low GHG emission rural development model based on protection and

<sup>13</sup>Covering the cost of creating and starting up community forest management enterprises, for example.

<sup>14</sup>Preparing community forest management plans with a multi-pronged approach: timber, ecotourism, and agroforestry, for example.

management of forest resources, recovery of degraded areas and recognition of the rights of the local population. As a result, this project will apply instruments at the landscape level (regulations, institutions, financing) in the Ucayali region, which, if successful, can be converted into public policy on an Amazon and even a nation-wide scale. The expected transformative effects are:

### **Reinforced forest tenure and rights of vulnerable populations**

35. The project will support recognition of the rights and reinforcement of the forest management of native communities by taking an approach of inclusion and of respect for indigenous territories. Titling and physical and legal disencumbrance activities and the reinforcement of community forest management will empower native communities to become competitive and sustainable managers of their forests.

### **Integrated forest landscape management**

36. The intervention will take a public-private-community territorial approach by helping the authorities of Atalaya province complement economic, social and environmental planning with a territorial dimension, efficiently organizing the interventions of the various different sectors of the state and of civil society in the field and orienting conservation and sustainable use of the land. Those authorities will ensure that forest planning will be closely attuned to local development plans and the living plans of the native communities settled in the area.

37. Consolidation of institutional arrangements for REDD+. The Ucayali region is in the process of consolidating the participation of civil society and native communities in the sub-national structuring of REDD+, in keeping with national guidelines. This project will promote investment in reducing emissions and increasing carbon reservoirs in the land use and land-use change category. In this way, the intervention area constitutes a model for other Amazon regions and will contribute significantly to development of Peru's nested national REDD+ architecture.

### **Systemic Competitiveness of the Forest and Agroforestry Sectors**

38. Ensure the creation of competitive forestry and agroforestry value chains by helping native communities and the formal entrepreneurial sector to: i) identify potential buyers; ii) obtain the necessary technologies for sustainable production, processing or storage and related training; iii) secure access to appropriate inputs, financial services and infrastructure; and iv) develop the capacity to satisfy buyer quality requirements and the required level of contract negotiation and performance.

#### **A.1.2.5. Preparation for implementation**

39. The GOP will manage the project on the three levels described in section 6.4 of the IP: the strategy level, for which the FIP Inter-Ministerial Committee is responsible; the management level, which the Project Coordination Unit (UCP) within the MINAM's National Forest Conservation Program (PNCB) will be in charge of; and the local implementation level, for which the Ucayali regional government and the national programs of the pertinent sectors are responsible.

40. The design stage of the Investment Plan was coordinated with the Ucayali regional government and different local actors in the intervention area, by taking up contributions to the proposal and confirming their commitment and willingness to advance the project design process and subsequent implementation. The central vehicle for coordination at the intervention area level is understood to be the recently created Ucayali Regional Environmental Authority (ARAU). This body will coordinate, through the Project Coordination Unit, with sector programs and institutions (AGROIDEAS, INIA) and those of the central government that are participating in the project, especially in Component 2. Because of the territorial and economic relationship with the neighboring province of Satipo, which could well deserve a coordinated intervention, it is proposed that during the detailed project design phase, the decision be made as to whether the intervention will cover Atalaya province (Ucayali) only or be broadened to take in the province of Satipo (Junín), as well. In the latter case, assistance will be considered for reinforcing the natural resources authorities in that region, based on the experience gained from processes already underway in the CIAM member regions, particularly to ensure control of illegal logging.

#### **A.1.2.6. Possible national and international partners, including their financial backing for REDD-Plus**

41. Among the principal potential allies for this project's implementation, it is important to mention the MINAG Land Titling and Registration Program – PTRT, the MINAG-CAF Forestry Program and the INIA National Agricultural Innovation Program. It is also important to involve in the project's organization and efforts local indigenous federations like ORAU and FECONAPA, representatives of the entrepreneurial forest sector like the Ucayali Association of Forest Producers (APROFU), and NGOs and research centers participating in Ucayali REDD+ roundtable meetings.

### A.1.2.7. FIP-IP financing fundamentals

Criterion	Justification
Climate Change Mitigation Potential	Total emissions of 14 MTCO <sub>2</sub> <sup>15</sup> are considered for the project area over a seven-year period. It is estimated that direct and indirect project interventions could conceivably reduce future deforestation and forest degradation by 50%, to 7 MTCO <sub>2</sub> .
Scaling-up Potential	The fostering and systematic organization of experiences in community forest management and development of community-enterprise alliances, as well as of different kinds of associations between enterprises and communities, for the purpose of reducing risks and enhancing competitiveness, could be replicated at the national level. Improvements in administrative and control capacity through UGTs /UGFFSs, with active community involvement, could, if duly organized systematically, be widely replicated throughout the Peruvian Amazon. Conversion of successful instruments into public policy measures could make a substantial contribution to transformative changes.
Implementation Potential	The regional governments of Peru's Amazon are aware of the need to address deforestation problems and for that reason are creating environmental authorities and advancing forest zoning and planning. Local populations in the project area are feeling the effects of deforestation on water availability. Express requests are being received for assistance in earning a living without damaging forests and in raising land productivity. There is no social or political violence in the project area to jeopardize its implementation.
Co-benefits	Sustainable management of production forests on a suitable scale and collaboration between the state, communities and the private sector are helping considerably to improve the local economy, produce wealth and consolidate the rights of local inhabitants, primarily native communities. Forest conservation through sustainable forest use will produce earnings, contribute to the building of an attractive social environment for investment, and safeguard biodiversity. Healthy forests represent a means of livelihood for traditional populations.
Safeguards	Indicators will be identified in each project, as explained below and in section 10. The Decree N°26253 will also be enforced, which establishes that Convention 169, the United Nations Declaration on the Rights of Indigenous Peoples and the Cancún Agreement are national law.

### A.1.2.8. Safeguards

42. This project will comply with national regulations and with pertinent World Bank policies. Specifically speaking, it will be in keeping with the provisions of the Law of Prior Consultation (law 29785) and its regulations (DS 1-2012-Culture) and with the environmental regulations and safeguard measures of the World Bank on Indigenous Peoples OP/BP 4.10, Involuntary Resettlement OP/BP 4.12, Forests BP 4.36, Physical Cultural Resources OP/BP 4.11, and Natural Habitats OP 4.04.

<sup>15</sup>Based on the historical deforestation rate along the Federico Basadre Highway.

### A.1.2.9. Financing Plan

Outcomes	MDW	Expected Allocation of funds from the Forest Investment Program (US\$)			Expected Co-finance (US\$)	Co-financing partners**	Total (US\$)
		Grant	Loan	Total			
Governance and land use planning	WB	4,000,000	6,400,000	1,800,000	2,500,000	GoPE	4,300,000
Legalization, titling and registration of property rights		0	0	2,000,000	2,000,000	IDB	4,000,000
Enhancement of the value of environmental assets of forests and degraded areas		0	0	6,600,000	500,000	WB,JICA	7,100,000
Project Management		1,000,000	0	1,000,000	0	NA	1,000,000
Stakeholder Involvement Plan (PIA)		800,000	0	800,000	0	NA	800,000
Project design		400,000	0	400,000	0	NA	400,000
Total (US\$)		6,200,000	6,400,000	12,600,000	5,000,000		17,600,000

### A.1.2.10. Project readiness preparation schedule

Stages	Indicative Dates
Investment Plan (FIP) approval	October 2013
Start preparation activities	January 2014
Preparation and consultation	September 2014
Evaluation	November 2014
Approval (FIP SC)	December 2014
Approval (IDB Board of Directors)	May 2015

### **A.1.3. PROYECT 3: Integral forest landscape management on the main route between Puerto Maldonado and Iñapari and in the Amarakaeri Communal Reserve and beneficiary communities, in the Madre de Dios region**

#### **A.1.3.1. Project partners and collaborators**

43. The Ministry of the Environment (MINAM) and the Inter-American Development Bank (IDB) will be the lead institutions on the part of the government and of the multilateral development banking system, respectively. For the project's implementation, the MINAM will coordinate with the Madre de Dios regional government and its pertinent subordinate bodies, the Ministry of Agriculture —particularly SERFOR—, the Ministry of Economy and Finance, the Vice-Ministry for Interculturality, and the Forest and Wildlife Resources Supervisory Body (OSINFOR), as well as with the indigenous peoples, organized civil society and the entrepreneurial sector in Madre de Dios.

#### **A.1.3.2. Statement of the Project and Justification**

44. Some 95% of the forest cover of the Madre de Dios region is recognized as one of the world's biodiversity epicenters.<sup>16</sup> Although the historical rate is low in the area, deforestation is rising, driven by new infrastructure projects (paving of the South Interoceanic Highway<sup>17</sup>), high gold prices,<sup>18</sup> and a low level of governance.<sup>19</sup> Between 1999 and 2009, over 36,000 hectares were deforested as a result of growing farming, livestock and alluvial mining activities. In addition, unsustainable extraction activities brought about the degrading of 17,740 hectares.<sup>20</sup> That deforestation produced emissions totaling 17 million tCO<sub>2</sub>.<sup>21</sup>

---

<sup>16</sup>MINAM-DGOT 2012; Myers, N., 2000

<sup>17</sup>Soares-Filho, B.S. et al. 2006

<sup>18</sup>Swenson et al. 2011

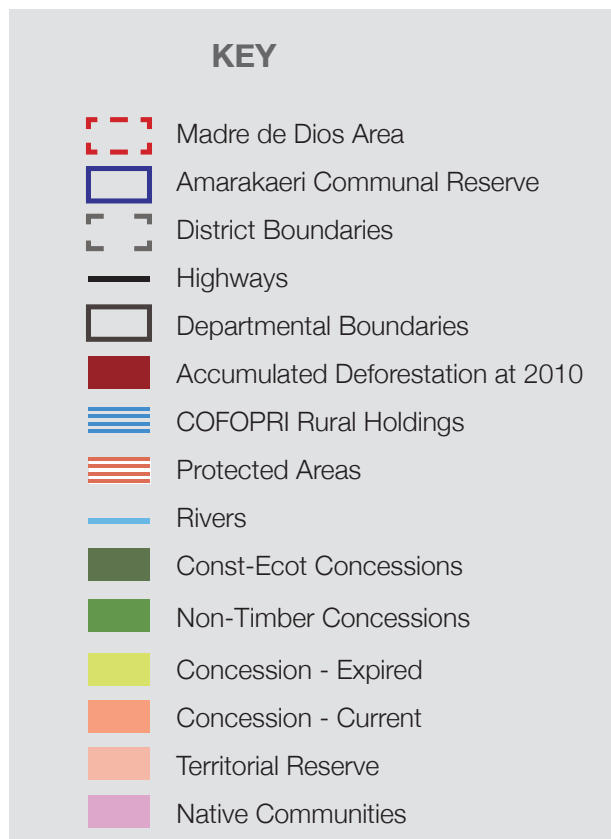
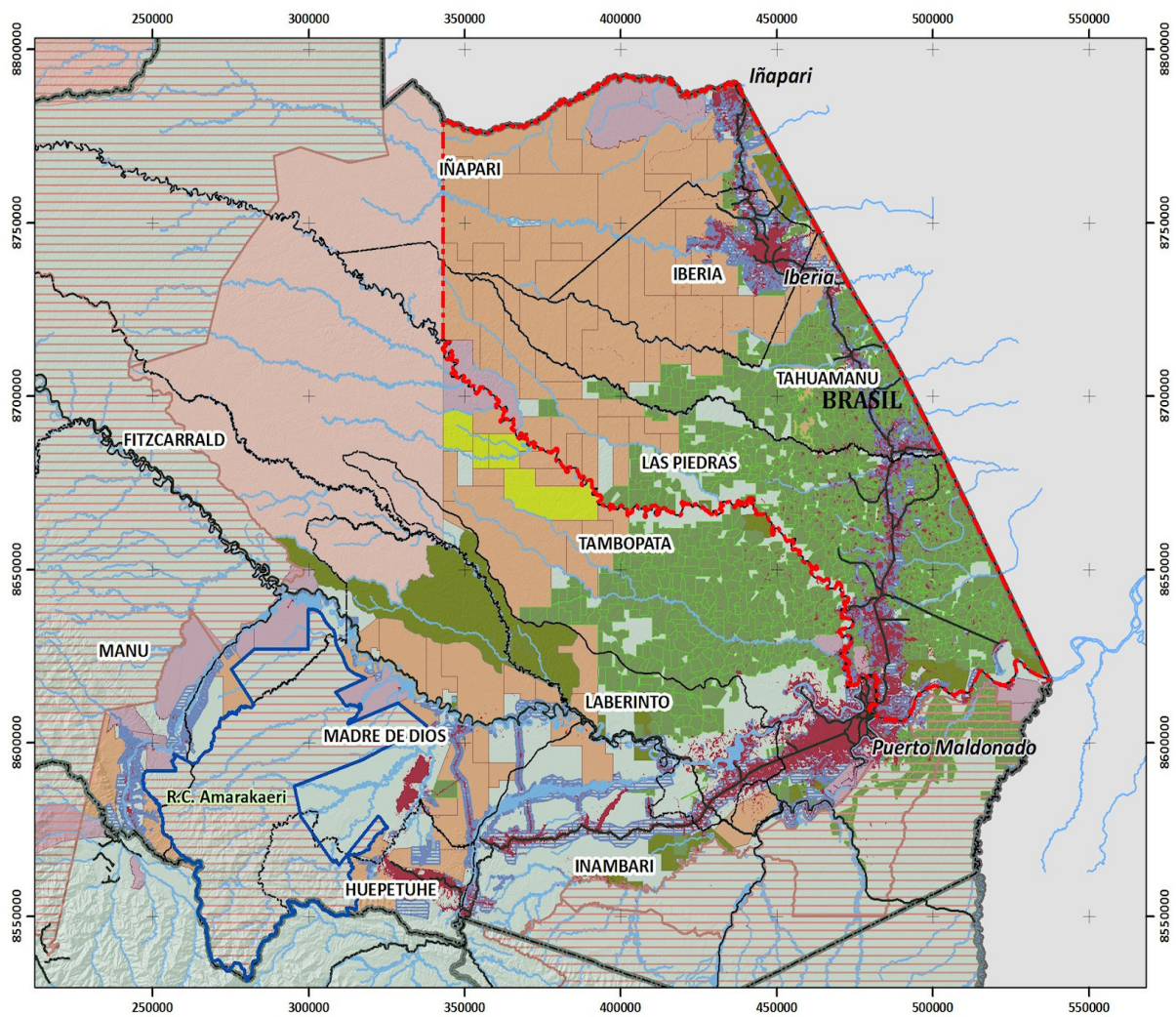
<sup>19</sup>Yu, D.W., et al. 2010

<sup>20</sup>Asner, G.P., et al. 2010

<sup>21</sup>CSR-UFGM, 2011



Figure A.1.3.1. Intervention Area in Madre de Dios: main route from Puerto Maldonado to Iñapari



45. The prioritized area of intervention in Madre de Dios is the 1,776,181 hectare span running along the main route from Puerto Maldonado to Iñapari (see Figure A.1.3.1). Today this forest landscape still maintains 93.5% of its forest cover and exhibits an annual rate of global deforestation of 0.19%, outpacing the national average of 0.15% (see Table A1.3). The area holds timber (44.3%) and non-timber concessions (33.9%), the latter containing the country's largest Brazil nut (*Betholletia excelsa*) concessions. The rest of the area consists of native communities, agricultural holdings and unallocated hectares. Also within the area of intervention are the Amarakaeri Communal Reserve and 7 communities (Kotsimba, Arazaire, Boca Inambari, Shiringayoc, San Jacinto, Tres Islas and el Pilar).

46. Forest and environmental governance are weak in the area. The growing pressure brought to bear by the direct causes of deforestation through land seizures, uncontrolled slash-and-burn and illegal logging are working against the advances made through use of forest management instruments in forest concessions and native communities. Worsening the situation are the reduced budget and personnel available for nature resource management, the unfinished decentralization process, without clearly defined functions and areas of responsibility, and the entry into operation of new environmental, forest and agrarian institutions.<sup>22</sup> These conditions, combined with the superimposition of land use rights and limited physical and legal disencumbrance have given shape to a complex scenario that shows little sign of being able to hold back deforestation and forest degradation.

47. In addition to problems of governance, economic activities stemming from sustainable forest resource use or recovery of degraded areas do not compete favorably with other land uses that are not compatible with forest production, such as, for example, farming, extensive stockbreeding and illegal logging.<sup>23</sup> By way of example, current management of Brazil nut and shiringa concessions reveals very low land productivity levels that fluctuate between US\$10-20/ha/year.<sup>24</sup> In the case of agroforestry systems, with higher productivity levels, the barriers they face have to do with the high cost of their establishment, the long period before returns can be expected and the large amount of labor needed to maintain the system.<sup>25</sup> Furthermore, the two main products raised in the area, timber and Brazil nuts, are rarely to be found in high value-added chains.

---

<sup>22</sup>CIAM, 2012

<sup>23</sup>CSR-UFG, 2011

<sup>24</sup>Nature Services Peru, 2012

<sup>25</sup>White et al., 2005.

**Table A.1.3.1. Land tenure categories and annual deforestation rates<sup>26</sup> along the main route between Puerto Maldonado and Iñapari**

Madre de Dios Area	Forested Land Area (ha)	2000		2010		Annual Deforestation Rate 2000-2010
		2000 Deforestation (ha)	Remaining Forest (ha)	2009 Deforestation (ha)	Remaining Forest (ha)	
Total	1,776,182	84,868	1,691,314	115,967	1,660,214	0.19 %
Native Communities	78,350	1,069	77,281	1,715	76,635	0.08%
Timber Concessions	786,327	803	785,524	2,634	783,694	0.02%
Reforestation Concessions	260	0	260	6	254	0.23%
Conservation Concessions	16,782	191	16,591	208	16,574	0.01%
Ecotourism Concessions	14,191	303	13,888	549	13,642	0.18%
Non-Timber Concessions	926	43	883	46	880	0.03%
Aquaje palms	552,435	14,495	537,940	20,393	532,041	0.11%
Non-Timber Concessions Shiringa	18,024	712	17,312	1,367	16,658	0.39%
Rural holdings	160,588	57,555	103,033	75,454	85,133	1.91%
Forest areas without assigned forest rights	148,299	9,697	138,602	13,595	134,703	0.29%

*Prepared by: FIP Technical Team, based on deforestation data supplied by the Madre de Dios regional government and the Madre de Dios Environmental Services and REDD Roundtables, 2013.*

48. The foregoing is reflected in the deforestation analysis set out in Table A.1.3. One of the highest annual deforestation rates --0.29%-- is to be found in areas without allocated rights and can be attributed to illegal land occupation for agricultural purposes and other non formal uses. In the timber and non-timber concessions, on the other hand, annual deforestation is only 0.06%, although the latter, and specifically Brazil nut concessions, present annual deforestation rates of 0.11%<sup>27</sup> that are over five times higher than those of timber concessions.

49. As a result, this project is designed to help overcome the main barriers to reduction of the deforestation and forest degradation described above. Specifically speaking, the project will reinforce sector and inter-sector governance, complete the allocation of rights of use and consolidate forest/environmental management instruments. It will also contribute toward reducing productivity gaps, bringing about technological change and incorporating native communities and small producers in high value-added chains, in order to make sustainable forest activities and/or recovery of degraded areas more competitive.

### **A.1.3.3. Proposed investment strategy**

#### **Objective**

50. The Project objective is to reduce GHG emissions associated with deforestation and forest degradation and augment carbon reserves along the main route between Puerto Maldonado and Iñapari and in the Amaraeri

<sup>26</sup>The annual deforestation rate has been calculated using the formula proposed by Puyravaud in 2002.

<sup>27</sup>According to recent data, over 30% of Brazil nut concession holders are experiencing problems of land seizures, 80% carry out agricultural activities in their concession areas and they harvest more timber than do timber concessions (Cossio 2011, Nature Services Peru 2013).



Communal Reserve in the region of Madre de Dios, taking an approach toward social inclusion, sustainability and increased competitiveness of activities compatible with sustainable forest use and recovery of degraded areas. Three components are proposed for the accomplishment of this objective:

**Specific objectives:**

- a. Make use of timber and non-timber resources more competitive.
- b. Build up the forest management capacity of native communities.
- c. Bolster forest governance, including the capacity to control and to oversee, within the framework of the decentralization of responsibilities.
- d. Contribute to the defining of land tenure and land use planning processes.

**Component 1: Governance and land use planning**

51. Capacity-building: Technical and operational capacity-building (roles, responsibilities and resources) of regional authorities, local governments, native communities, organized civil society and forestry and agroforestry entrepreneurs, including:

- a. Regional Environmental Authority and its Land Management Units (which incorporate the Regional Forest and Wildlife Management Units created by the Forest Law, in accordance with the spheres determined by the regional government).
  - i. Build up the capacity to manage timber and non-timber forest concessions.
  - ii. Build up the capacity of the region to apply information produced by the national deforestation monitoring system.
  - iii. Build up the control system, taking advantage for that purpose of the infrastructure along the South Interoceanic Highway.
- b. Regional Bureau of Agriculture
  - i. Build up the capacity to implement the sole regional cadastral system within the National Land Management System.
  - ii. Build up the capacity to operate agroforestry and forest plantation systems.
- c. Forest and Wildlife Management Committees
  - i. Build up the capacity to support control and surveillance activities.
- d. Community Forest Oversight bodies
  - i. Develop the operational capacity and infrastructure in native communities for forest monitoring, control and surveillance.
  - ii. Build up the capacity for forest management, control and surveillance

52. **Strengthening of forest resource management instruments:** These include supporting land use and forest planning and the preparation of natural resource management instruments by promoting efficient implementation of mechanisms for access to those resources under an inter-cultural approach when appropriate, as well as:

- a. Contributing to consolidation of land use and forest planning, based on the progress made to date in the region, including supporting studies like:
  - i. Technical and economic viability assessments of concessions that have been granted, in order to underpin the forest production disencumbrance process.
  - ii. Evaluation of the implementation of units which, as yet nonexistent, have the potential to incorporate small loggers and shiringa producers, as in the case of local forests.
- b. Supporting micro-zoning along the major highway, classified by the region's Land Use Plan<sup>28</sup> as being suitable for agroforestry and more than 50% of which enjoys forest cover.
- c. Promoting preparation of management plans for community and permanent production forests (BPP) and the Brazil nut production zone.
- d. Disencumbering Permanent Production Forests, native community forested areas and private rural agricultural holdings.
  - i. Support disencumbrance, except in areas already earmarked for other uses or that could have objectives that conflict with those of local populations.

---

<sup>28</sup> Dirección de Planificación-GOREMAD, 2013.

e. Facilitating coordination with and support for local and regional processes by national authorities and those of SERFOR (MINAG), OEFA (MINAM), SERNANP (MINAM), and OSINFOR (PCM), and indigenous organizations, among others.

- i. Assist with the preparation of the Regional Forest Plan.
- ii. Contribute to implementation of the Regional Climate Change Strategy.

f. Promoting forest certification through use of standards in keeping with the region's ecosystems and the forest concessions model regulated in the Forest Law.

- i. Support processes and implement agreements for gradually advancing toward having certified SFM.

g. Supporting initiatives for creating private conservation areas inside agricultural holdings and community conservation areas in native communities.

- i. Help with the preparation of the technical file.
- ii. Assist in the preparation of economic incentivization instruments for the creation of private and community conservation areas.

h. Supporting implementation of the jurisdictional REDD

- i. Contribute to consolidation of the jurisdictional REDD+ approach in coordination with the Regional REDD+ Roundtable.
- ii. Secure regional support for the National REDD+ Strategy and national processes in order to enhance the value of ecosystem services.

i. Helping with the implementation of the pilot RIA in the Amarakaeri Communal Reserve (RCA).

## **Component 2: Legalization, titling and registration of property rights**

53. Action taken in this component is aimed at supporting physical and legal disencumbrance processes that include the recognition, titling and physical and legal disencumbrance of lands held by native communities and small producers.

## **Component 3: Enhancement of the value of the environmental assets of forests and degraded areas**

54. The measures in this component will be oriented toward making sustainable use of forest resources more competitive, supporting the establishment of forest plantations and agroforestry systems and promoting ecotourism activities with native communities and small producers, in collaboration with companies. The following interventions are proposed:

a. **Promotion of organization**, in order to reduce transaction costs, raise the scale of production, improve bargaining power and develop strategic collaboration with companies, so as to cover organization and formalization costs.

b. **Promotion of the development of a business management capacity**, in order to meet the demands of high value-added chains:

- i. Prepare native community business plans<sup>29</sup> and living plans.
- ii. Technical training: administration, market intelligence, technical aspects of the production, acquisition and distribution of inputs, meeting bureaucratic demands for approval of forest management plans and contract negotiation.
- iii. Facilitate the establishment of relations with companies.

c. **Promotion of the adoption of new technologies** and improvement of the use of existing technological packages:

- i. Strategic inputs for sustainable and competitive management of forests and degraded areas (specialized machinery, improved planting stock, etc.).
- ii. Specialized and temporary labor to contribute to the development of a business management capacity.
- iii. Technical assistance and services for production, processing and marketing activities.

### **A.1.3.4. Transformative impact and proposed co-benefits**

55. The series of proposed interventions targets priority investment in consolidating sustainable forest resource use. Therefore, the intention is to create a low GHG emission rural development model based on protection and management of forest resources, recovery of degraded areas and recognition of the rights of the local population. As a result, this project will apply instruments at the landscape level (regulations, institutions, financing) in the

---

<sup>29</sup>For example, by supporting business plans for ecotourism undertakings or developing a business model to support concession holders with small concessions (between 5,000 and 20,000 ha), which account for 45% of all concession areas in Madre de Dios.

Madre de Dios region, which, if successful, can be converted into public policy on an Amazon-wide and even a national scale. The expected transformative effects are:

### **Reinforced forest tenure and rights of vulnerable populations**

56. Recognition of the rights and reinforcement of the forest management of native communities and strengthening of the protection system of native communities in voluntary isolation: Taking an inclusive approach and one of respect for indigenous territories, the project will promote interventions that will contribute to community forest management framed within the indigenous world view. Protection of the lands of indigenous peoples in voluntary isolation or in initial contact will be assured in the degree to which the government's capacity for controlling illegal logging and land seizures is strengthened.

57. Recognition of the rights of local and riverine populations and of settlers without land titles: Inasmuch as this is one of the regions with the largest number of migrants in search of lands to occupy and with a serious problem created by the superimposition of land use rights, the project emphasizes the need to consolidate land use planning that will give local inhabitants assurance in working toward a low-emission development model.

### **Integrated forest landscape management**

58. The intervention will take a public-private-community territorial approach by helping regional authorities of Madre de Dios complement economic, social and environmental planning with a territorial dimension, efficiently organizing the field interventions of the various different sectors of the state and civil society, and orienting the conservation and sustainable use of the land. Those authorities will ensure that forest planning will be closely in line with regional development plans.

59. Consolidation of institutional arrangements for REDD+. The region of Madre de Dios is in the process of consolidating the participation of civil society and native communities around REDD+ structuring at the sub-national level, in coordination with national guidelines. This project is part of REDD+ phase 2 of promoting investment in reducing emissions and in increasing carbon reservoirs in the land use and land-use change category. In this way, the region constitutes a model for other Amazon regions and contributes significantly to development of national REDD+ strategy architecture.

### **Systemic Competitiveness of the Forest and Agroforestry Sectors**

60. Ensure creation of competitive forest and agroforestry value chains by helping small producers, native communities and the entrepreneurial sector to: i) identify potential buyers; ii) obtain the necessary technology for sustainable production, processing or storage and related training; iii) secure access to appropriate inputs, financial services and infrastructure; and iv) develop the capacity to satisfy buyer quality requirements and the required level of contact negotiation and performance.

#### **A.1.3.5. Preparation for implementation**

61. The GOP will manage the project on the three levels described in section 6.4 of the IP: the strategy level, for which the FIP Inter-Ministerial Committee is responsible, the management level, which the Project Coordination Unit (UCP) within the MINAM's National Forest Conservation Program is in charge of and the local implementation level, for which the regional government of Madre de Dios and the national programs of the pertinent sectors are responsible.

62. The design stage of the Investment Plan was coordinated with the Madre de Dios regional government and different local actors in the intervention area, by taking up contributions to the proposal and confirming their commitment and willingness to advance the project design process and its subsequent implementation. The key vehicles for coordination at the intervention area level are understood to be the Regional Environmental Authorities (ARAs) and their Land Management Units (UGTs), with which implementation agreements will be signed. These bodies will coordinate, through the FIP Project Coordination Unit, with sector programs and institutions (AGROIDEAS, INIA) and those of the central government that will be participating in the project, especially in Component 2.

#### **A.1.3.6. Possible national and international partners, including their financial backing for REDD+**

63. Among the principal potential allies for this project's implementation, it is important to mention AGROIDEAS, the MINAG Land Titling and Registration Program – PTRT, the MINAG-CAF Forest Program and the INIA National Agricultural Innovation Program. In order to help mitigate the indirect environmental impact of the South Inter-oceanic Highway, the MINAM-CAF project offers the strong potential of being able work synergistically with the

FIP Peru investment. It is also important to involve in the project organization and measures, the FENAMAD indigenous federations, representatives of the entrepreneurial forest sector, and the NGOs, international aid workers and research centers participating in the Madre de Dios Environmental Services and REDD+ roundtables. A total of 14 early initiatives tied in with REDD+ in Madre de Dios have been identified and the regional government has signed an agreement with VC to move ahead with the design of a jurisdictional REDD+ approach in the region.

64. In addition, the GOP, with IDB assistance, is designing an economic incentivization mechanism under the Bio-Climate Initiative<sup>30</sup> to acknowledge conservation efforts and to increase carbon reservoirs in forest ecosystems along the South Interoceanic Highway. This initiative takes in the organization of a fund using grant and investment resources and a possible loan operation, in order to consolidate enabling conditions in the Madre de Dios region. FIP resources will supplement this fund, inasmuch as this initiative would also be covering the South Interoceanic Highway segment between Mazuko and Puerto Maldonado (the mining deforestation front, outside the FIP area of intervention). In this way, the payment plan for forest carbon and ecosystem services established by the Bio-Climate Initiative would reinforce the sustainability of FIP investment.

### A.1.3.7. FIP-IP financing fundamentals

Criterion	Justification
Climate Change Mitigation Potential	By conservative estimates (assuming continuation over the next 7 years of the historical deforestation rate), emissions in the project area will amount to 13.6 MTCO <sub>2</sub> at 2021. It is estimated that project interventions could conceivably reduce deforestation and forest degradation by 50%, equivalent to 6.8 MTCO <sub>2</sub> , and increase the carbon stock by 2 MTCO <sub>2</sub> <sup>31</sup> , giving a total mitigation potential of 8.8 MTCO <sub>2</sub> .
Scaling-up Potential	Consolidation of timber and non-timber concessions, complemented by local forests and/or private and community conservation areas, within the framework of forest planning and adjustment to the new Forest Law, will make it possible to extract lessons for application to the country's forestland regions. Development of instruments for activating use of lumber stock as security could be extended for use nation-wide. Converting instruments that operate successfully into public policy would contribute substantially to transformative change. Agroforestry and forest plantation activities could be escalated to take in at least 2 million hectares across the country.
Implementation Potential	The governments in Peru's Amazon are aware of the need to address deforestation and degradation problems and for that reason are creating environmental authorities and advancing forest zoning and land use planning. Forest actors identify the need for instruments that will allow them to reduce costs, add value and coordinate and collaborate more fully among themselves under a cluster arrangement. There is no social or political violence in the area to jeopardize project implementation.
Co-benefits	Forest conservation through sustainable use will generate income for local populations and, at the same time, safeguard biodiversity (habitats and species), while reducing pressure and constituting spaces for connectivity between the valuable nearby protected natural areas. Governance will be shored up technically and in terms of transparency and participation, thus facilitating development of complementary public and private projects. Application of innovative instruments, as pilot experiences, will help to produce transformative changes in various fields: public forest governance and management, participatory business models, and sustainable financing, among other things.
Safeguards	The corresponding safeguards will be applied, as described below.

<sup>30</sup>Nature Services Peru, 2013.

<sup>31</sup>Estimating catalyzation of 20 000 ha of agroforestry development and plantations and an average capture of 27 T/C/ha at 7 years, based on ICRAF-Peru data.

### A.1.3.8. Safeguards

65. The FIP-IP will be compatible with socio-environmental regulations in effect in Peru and with the Environmental and Social Safeguards and other relevant policies of the multilateral partners. It will comply with the provisions of the Prior Consultation Law (law 29785) and its regulations (DS 1-2012-Culture) and with the IDB's environmental regulations and safeguard measures, including the Environment and Safeguards Compliance Policy (OP 703), Policy on Disaster Risk Management (OP 704), Forestry Development Policy and the Operational Policy on Indigenous Peoples and Strategy for Indigenous Development (OP 765), the Operational Policy on Gender Equality in Development (OP 761), the Policy on Involuntary Resettlement (OP 710) and the Policy on Access to Information (OP 102), as well as sector policy on Rural Development (OP 752) and on Forestry Development (OP 723), while guaranteeing that land occupied by indigenous peoples, whether titled or not, will not be affected, in order to prioritize titling and measures to prevent encumbrance, and that indigenous peoples in isolation or in initial contact (PIACI) will be covered by specific regulations.

### A.1.3.9. Financing Plan

Outcomes	MDB	Expected Allocation of funds from the Forest Investment Program (US\$)			Expected Co-finance (US\$)	Co-financing partners**	Total (US\$)
		Grant	Loan	Total			
Governance and forestry planning	IDB	3,500,000	6,700,000	1,400,000	8,000,000	IDB y GoPE	9,400,000
Legalization, titling and registration of property rights				1,500,000	1,000,000	IDB	2,500,000
Enhancement of the value of environmental assets of forests				7,300,000	5,000,000	IDB, JICA	12,300,000
Project Management		1,000,000	0	1,000,000	0	NA	1,000,000
Stakeholder Involvement Plan (PIA)		800,000	0	800,000	0	NA	800,000
Project design		370,000	0	370,000	0	NA	370,000
Total (US\$)		5,670,000	6,700,000	12,370,000	14,000,000		26,370,000

### A.1.3.10. Project readiness preparation schedule

Stages	Indicative Dates
Investment Plan (FIP) approval	October 2013
Start preparation activities	January 2014
Preparation and consultation	September 2014
Evaluation	November 2014
Approval (FIP SC)	December 2014
Approval (IDB Board of Directors)	May 2015

## A.1.4. PROJECT 4: Reinforcement of National Forest Governance and Innovation

### A.1.4.1. Project partners and collaborators

66. key public institutions for the project's implementation are the Ministry of the Environment, the Ministry of Agriculture, the Ministry of Economy and Finance, the Vice-Ministry for Interculturality, the Forest and Wildlife Resources Supervisory Body (OSINFOR), and the regional governments. The Inter-American Development Bank will be the lead agency and the World Bank.

### A.1.4.2. Statement of the Problem

67. Forest and environmental institutions and governance are experiencing problems that have to do with decentralization processes (transfers of functions among government levels, definition of responsibilities and changes in role of sector and sub-national bodies) and the transition from sector- to land-based. These are resulting in: i) weak territorial and sector coordination, ii) lack of consistency between public policy and spending because the results sought are not clearly defined and a short-term view is being taken of the matter, and iii) inefficient National Public Budget spending, among other things.

68. In the forestry and environmental sectors, these processes include defining and implementing a new legal and institutional framework; regulating the new Forest and Wildlife Law and defining the Forest Policy and Plan; creating new institutions (SERFOR, SINAFOR, CONAFOR, etc.); amending environmental regulations (SNGA, SENACE, SNEIA, OEFA, etc.); and securing the participation of citizens and particularly of indigenous peoples; and dealing with the unstable environment produced by the lack of social agreements for upholding effective land use and forest planning and the growing intervention of bilateral and multilateral cooperation in matters relating to forests and climate change.

69. On the other hand, socio-economic and governance factors drive deforestation and degradation, producing growing pressure for a change in forestland use. This situation can be traced largely to the greater profitability of activities alternative to forest use and/or management, which is working as a disincentive given the limited access to financial services and attractive markets and the inadequacy and/or insufficient supply of the public goods (highways, energy, education, information) that are needed to create a favorable climate for innovation and development of forest business.

### A.1.4.3. Proposed Investment Strategy

#### Objective

69. The objective is to strengthen forest governance, community forest management and governance in the implementation of public policy reform and consolidation of management and financial instruments that would promote competitive and sustainable use of natural forests.

#### Components

Activities like the following are proposed, considering aspects of interculturality:

#### 70. Public forest management policy reform and strengthening of forest management instruments:

- a. Assistance with the implementation of the national and RIA REDD+ strategy.
- b. Support for consolidation of national policy and strategies on the sustainable use and protection of forest resources, native or original genetic resources and indigenous rights (including institutional architecture).
- c. Preparation of studies on the underlying causes of deforestation, as well as public policy and regulations that could facilitate the process.
- d. Contribution to the preparation and implementation of the National Forest and Wildlife Plan (studies, diagnoses, action plans).
- e. Assessment and improvement of the National Reforestation Plan (studies, diagnoses, action plans).



- f. Promotion of incentives and new methods for acceding to, speeding up and simplifying forest rights allocation processes and procedures, by facilitating integral use of ecosystem goods and services under an integrated planning system.
- g. Reinforcement and improvement of the design of results-based budget programs directly or indirectly associated with sustainable forest management.
- h. Formulation of the baseline for budget programs connected with forests and climate change, in keeping with Forest Policy and the National Plan for Modernization of Public Management.
- i. Build-up of the capacity for systemic coordination and cooperation of the new institutions created within the framework of the Forest and Wildlife Law with the different actors involved in the National Forest and Wildlife Management System, the National Forest Conservation Program led by the MINAM, indigenous organizations and Regional Environmental Authorities (ARAs).
- j. Support for implementation of the National Anti-corruption Plan for the Forest Sector.
- k. Promotion of responsible business plans that require certified forest products.

#### 71. Deforestation monitoring

- a. Assistance with the development and implementation of a national system for deforestation/degradation monitoring in real time, in order to facilitate command and control processes.

#### 72. Innovation in the forest, agroforestry and reforestation sectors

- a. Independent assessment of the operation of forest concessions.<sup>33</sup>
- b. Support for the establishment of the training center in forest management and low-impact utilization techniques, in order to educate and train engineers, foresters, government officials, leaders and professionals of native communities, small producers and others, in both forest management and control in the public sector and management and operation of forest activities in the private sector (business plan, operating infrastructure and operating and maintenance expenses of the center), and capacity-building for the calculation of carbon reserves in native communities and for the training of community forest oversight personnel.
- c. Coordination of the national agricultural innovation policy and plan with the forest sector.
- d. Assistance for agroforestry innovation through the competitive funds existing in the country (reforestation experiments, development of agroforestry models, management techniques for native and secondary forest, and development of new products with a high value added).
- e. Development of live nursery models as business centers (business plans, infrastructure).
- f. Capacity building to prepare for receiving applications for competitive funds in the forest sector.
- g. Promotion of the sharing of South-South experiences in management of forests and agroforestry production systems and plantations.
- h. Reinforcement of RIA and REDD+ implementation processes.

73. **Facilitation of access to financing and promotion of financial innovation.** Feasibility studies of the various different instruments will be financed. Financing will then be provided on a pilot basis for those showing the greatest potential. The activities include:

- a. Production of instruments that promote innovation in reforestation, agroforestry and forest management of community forests, to which different actors may have access, with priority on indigenous communities;
- b. Development of financial guarantee instruments based on forest use as surety;<sup>34</sup>

---

<sup>33</sup>Agreement with indigenous organizations to support the initial phase of this assessment through the FIP.

<sup>34</sup> Forest use as surety does not refer to the subject of land ownership.

- c. Development of financing instruments:
  - i. Domestic market systems for forest carbon futures;
  - ii. Private equity for consolidation of the timber and non-timber forest concessions model and for plantations in areas deforested before 2011 (the year the new Forest and Wildlife Law was approved);
- d. Ecosystem services payment systems, conservation agreements and other compensation instruments.
- e. Promotion of joint ventures in the forest sector.
- f. Development of innovative products as autonomous trusts operated by entities under the regulation of the Office of the Superintendent of Banking and Insurance and with the capacity to offer a better risk profile in private sector forest trust management, including that of communities.
- g. Public-private-community alliances with the proactive participation of indigenous organizations for natural forest management, and reduction of the risk profile of different entrepreneurial initiatives.
- h. Creation of control and penalization mechanisms during the FIP development process.

#### **A.1.4.4. Transformative impact and proposed co-benefits**

74. This project seeks to explicitly identify, on the basis of the three experiences implemented in the three geographic zones and nation-wide, the most appropriate institutional designs for improving inter-sector cooperation and coordination among the different government levels (national, sub-national and local) and sectors; create and improve public management policy and instruments concerned with forests and climate change; and make public action on forests and the fight against their deforestation and degradation more efficient and effective.

75. It will also make it possible to improve the quality of public spending by supporting appropriate implementation of budget programs for forests and climate change, bringing them into line with the policy, plans and instruments establishment by national guiding bodies, and coordinating them with the plans of regional environmental authorities and local governments. That would be a transformative change within the framework of public spending reform and the Budget Law that would provide for the transition from a traditional budget model to a results-based model.

76. The project will produce and validate innovations and business models; financial instruments and products that reduce the risk perception of investors and financial institutions; and entrepreneurial cooperation models (public-private, private-community, associative) that promote economies of scale and bring down transaction costs. It will also promote the participation of institutional investors and integrated capital markets in long-term investments like those required for the forest sector.

#### **A.1.4.5. Preparation for implementation**

77. In order to explicitly “reinforce the territorial coordination of state action, using a final result as the starting point and defining the three government levels as the sphere of implementation,” it is necessary to add the cross-cutting issues and reforms being furthered by the Ministry of Economy and Finance, like the results-based budget program, to the reforms the government of Peru is boosting to address environmental and sustainability problems in natural resource use and the advances being made by the regional governments toward building a shared strategy and vision.

78. Insofar as competitiveness and the business climate are concerned, the approach being taken is to promote interaction of the state and civil society through steps at different levels: i) micro, relating to companies and their networks; ii) macro, associated with general economic and institutional conditions; iii) meso, through the development of specific policy and institutions, and iv) meta, in regard to social capital formation. The key aspects that stand out here are the institutions and the playing rules that shape the business climate in which entrepreneurs operate and that encourages regulation favorable to the creation and growth of investment and private initiative.

79. To conclude, it should be mentioned that in November 2011 the FIP Inter-Ministerial Committee was formed; the participants include the Ministry of the Environment (MINAM), the Ministry of Economy and Finance (MEF), the Ministry of Agriculture (MINAG) and the regional governments. It has become a vehicle for cooperation that will ensure alignment of sector policy.



#### A.1.4.6. Possible national and international partners, including their financial backing for REDD-Plus

80. Harmonization of sector policy lies at the base of an integral approach to forest management that believes that problem resolution calls for a series of coherent policy measures and specific efforts stemming from not only the forest sector, but also the sectors of agriculture, transportation and communication, and energy and mines, among others.

81. As a result, the principal national partners for this project are the government sectors most closely involved in forest management, the Ministry of Agriculture (MINAG) being the sector that will contribute the most to this project's implementation. Currently MINAG (DGFFS) has made viable a \$30 million project financed by the Andean Finance Corporation (CAF) and a national counterpart of 105 million new soles, part of which may contribute to the project's implementation.

82. In addition, the Peruvian government will have US\$ 3,800,000 on hand during the FCPF readiness preparation process for development of reference scenarios, adoption of a REDD+ strategy and design of monitoring systems and national arrangements for REDD+ management. Additional financial grants will be available for this stage, provided by different cooperation agencies and foundations that contribute heavily to the process, which is fully in line with FIP objectives and particularly with those of the present project.

#### A.1.4.7. FIP-IP financing fundamentals

Criterion	Justification
Climate Change Mitigation Potential	This project will power up the three other projects. Because of its power of escalation, it is estimated that over a seven-year period, its impact will be to double the emission reduction of the three other projects.
Scaling-up Potential	Creation of the vehicles and instruments for promoting more and better coordination and cooperation and thereby facilitating development of complementary public and private projects will strengthen multi-sector, multi-level and multi-actor governance. Consolidation of concessions and forests on community land and local forests and of assignment of use contracts for agroforestry systems within the framework of forest planning and of adjustment to the new Forest Law --which ensures the access of the various social forest user actors-- will make it possible to extract lessons that can be applied throughout the Amazon and to other forest regions in the country. Development of instruments for activating use of lumber stock as surety could be extended throughout the entire country. And conversion into public policy of successful instruments would contribute substantially to transformative changes favorable to widespread replication of the interventions.
Implementation Potential	Reforms in public spending, in investment promotion, and in the country's competitiveness agenda, together with the existence of a vehicle for inter-sector and multi-level coordination at the level of the FIP Peru -IP, would open up a favorable space for moving ahead with the implementation of this project.
Co-benefits	The power of scaling-up successful FIP interventions would shore up forest conservation through their sustainable use, produce earnings for local populations and, at the same time, protect biodiversity (habitats and species) by reducing the pressure and creating connective corridors among nearby protected natural areas.
Safeguards	The corresponding safeguards will be applied, as described below.

#### A.1.4.8. Safeguards

83. FIP-IP and the projects it supports will be in keeping with national socio-environmental regulations in effect in Peru and with the Environmental and Social Safeguards and other relevant policies of the multilateral partners, including: (i) for the Inter-American Development Bank, compliance with its Environmental and Safeguards Compliance Policy (OP-703), Policy on Disaster Risk Management (OP 704), Forestry Development Policy, Operational Policy on Indigenous Peoples and Strategy for Indigenous Development (OP-765), Operational Policy on Gender Equality in Development (OP-761), Policy on Involuntary Resettlement (OP-710) and Policy on Access to Information (OP-102), as well as its sector policies on Rural Development (OP 752) and on Forest Development (OP 723).; and (ii) compliance with World Bank safeguards on Indigenous Peoples OP/BP 4.10, Involuntary Resettlement OP/BP 4.12, Forests BP 4.36, Physical and Cultural Heritage OP/BP 4.11 and Natural Habitats OP 4.04.

The project will also abide by the provisions of the Law on Prior Consultation (law 29785) and its regulations (DS 1-2012-Culture).

#### A.1.4.9. Financing Plan

Outcomes	MDB	Expected Allocation of funds from the Forest Investment Program (US\$)			Expected Co-finance (US\$)	Co-financing partners**	Total (US\$)
		Grant	Loan	Total			
Policy reforms and strengthening of forest management	IDB	5,000,000	5,700,000	1,000,000	1,000,000	FCPF	2,000,000
Legalization, titling and registration of property rights				500,000	1,000,000	IDB	1,500,000
Deforestation monitoring				3,500,000	4,000,000	FCPF, KfW, Moore, JICA	7,500,000
Innovation and technology transfer				3,700,000	2,000,000	IDB and WB	5,700,000
Innovation in finance mechanisms				2,000,000	3,000,000	GoPE	5,000,000
Project Management		1,400,000	0	1,400,000	0	NA	1,400,000
Project design		360,000	0	360,000	0	NA	360,000
		6,760,000	5,700,000	12,460,000	11,000,000		23,460,000

#### A.1.4.10. Project readiness preparation schedule

Stages	Indicative Dates
Investment Plan (FIP) approval	October 2013
Start preparation activities	January 2014
Preparation and consultation	September 2014
Evaluation	November 2014
Approval (FIP SC)	December 2014
Approval (IDB Board of Directors)	May 2015

## ANNEX 2. PARTICIPATION PLAN AND ROLE OF THE STAKEHOLDERS

### A.2.1. Participation Plan during the preparation of the FIP Investment Plan (IP)

84. During the design of the Investment Plan, an inclusive participatory process was followed at the national, regional and local levels. Methodology was developed to ensure the effective participation of all stakeholders. To this end, the Inter-Ministerial Committee responsible for design of the FIP-IP (CD-FIP) defined the preparation of the Participation Plan, whose purpose was to promote stakeholder’s participation during the Forest Investment Plan – FIP IP design stage.

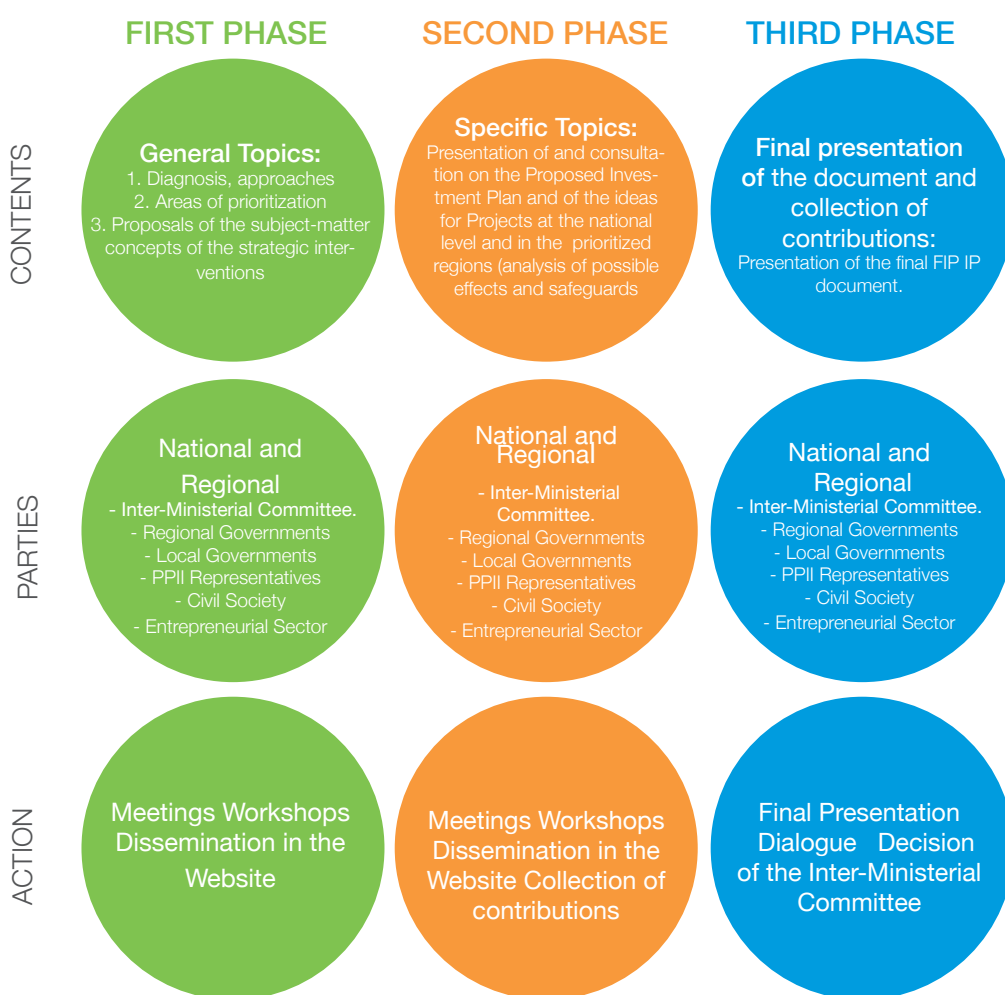
85. The guiding principles for the process were access to information and transparency, the good faith of the participants, respect for the rights and cultural diversity of stakeholders, inclusion and representativeness, and effective governance.

86. At the national level, the national indigenous Amazon organizations, AIDSESEP and CONAP, were made members of the FIP IP Inter-Ministerial Committee. This has enabled the indigenous peoples to participate effectively in the FIP IP design and laid the groundwork for their involvement in the individual project design and implementation processes.

87. The Amazon regional governments represented in the CIAM, who are also a part of the CD-FIP, were incorporated at the regional level. The local governments, regional representatives of AIDSESEP and CONAP, other regional indigenous organizations and representatives of civil society, who have participated in the meetings and workshops held in the regions, were brought into the information and collection of contributions processes.

88. At the local level, representatives of the local governments and the grassroots membership of AIDSESEP and CONAP and other local indigenous organizations took part in the meetings and workshops held in each of the regions.

Chart A.2.1. Phases of stakeholders involvement in the Participation Plan



89. With more than 20 meetings held, this process has ensured the continuous involvement of all actors in the different FI IP preparation phases.

**Table A.2.1. Detailed description of the activities carried out during preparation of the Investment Plan**

Places	Date	Participants	Objectives	Results
<b>First Phase</b>				
Lima	April 12	All stakeholders	Report on the state of readiness preparation of the FIP IP and receive contributions.	The FIP IP progress report was delivered.
Lima	April 22	AIDSESEP and CONAP, and FIP EC	Present the Participation Plan and the Actor Involvement Plan.	Joint measures to be taken were identified.
Madre de Dios	April 19	Stakeholders from Madre de Dios	Report on the contents of the FIP IP and its Annex 1 and receive contributions to Annex 1.	The information was delivered and the contributions received.
Yurimaguas	April 26	Stakeholders from Loreto and San Martin	Report on the contents of the FIP IP and its Annex 1 and receive contributions to Annex 1.	The information was delivered and the contributions received.
Pucallpa	May 3	Stakeholders in Atalaya	Receive contributions to FIP IP Annex 1 on the projects.	The contributions were received.
Lima	May 31	Stakeholders in Atalaya	Presentation of the proposed FIP IP and Annex 1, which includes the contributions received at the regional meetings.	The contributions were received.
<b>Second Phase</b>				
Lima	July 04	All stakeholders	Presentation of the 2nd Version of the Proposed FIP IP and Annex 1 and on the following steps to be taken.	The contributions were received.
Lima and Regions	July and August	All Stakeholders	Distribution of the 2nd Version of the Proposed FIP IP and statement of willingness to receive contributions up until August 23.	Contributions were received from the National REDD Group and from civil society organizations of Madre de Dios.

Lima	July 24 to 26	National indigenous organizations, AIDSESEP and CONAP and representatives of FIP EX	Dialogue and agreement on the proposals submitted by AIDSESEP and CONAP in regard to the FIP IP. Identification of steps to be taken with regard to the methodology for the participation of indigenous organizations.	It was decided to make AIDSESEP and CONAP members of the FIP Executive Board. Consensus were reached on prioritizing in the FIP IP the issues of, among others, indigenous land titling, community forest management, and governance.
Lima	August 01 and 02	AIDSESEP and CONAP and their regional grassroots membership, CD-FIP and DAR NGO	Presentation of the consensus reached at the meeting of July 24 to 26 and collection of contributions.	The consensus were publicized and contributions collected.
Atalaya	August 08 and 09	AIDSESEP and CONAP and their regional grassroots membership, CD-FIP, regional government, local government and DAR NGO	Presentation of the consensus reached at the meeting of July 24 to 26 and collection of contributions.	The participants were involved in the FIP IP design and delivered their contributions to the document.
Puerto Maldonado	August 13 and 14	AIDSESEP and CONAP and their regional grassroots membership, regional government, local government of Tahuamanu, CD-FIP, and forest producers/concession holders	Presentation and collection of contributions to the Proposed FIP IP and Annex 1, particularly with regard to the Puerto Maldonado project and the nation-wide Project.	The participants were involved in the FIP IP design and delivered their contributions to the document.
Yurimaguas Loreto	August 19 and 20	AIDSESEP, CONAP and their indigenous regional leaders, CD-FIP, IDB and the Loreto regional government	Presentation and collection of contributions to the Proposed FIP IP and Annex 1, particularly with regard to the Yurimaguas-Tarapoto project and the nation-wide project	The participants were involved in the FIP IP design and delivered their contributions to the document.
Lamas. Tarapoto	August 21 and 22	National and regional indigenous organizations, indigenous leaders, FIP EC, San Martin regional government, local government of Barranquita, GORE-Loreto as observer and CIFOR NGO	Presentation and collection of contributions to the Proposed FIP IP and Annex 1, particularly with regard to the Yurimaguas – Tarapoto Project and the nation-wide Project.	The participants were involved in the FIP IP design and delivered their contributions to the document.

Lima	September 04 and 05	AIDSESEP and CONAP and MINAM representatives.	Presentation of the text of the FIP IP incorporating the contributions collected at the national meeting and regional workshops. Presentation of matrices of responses to the contributions received.	The participants reached a consensus on the text of the final FIP IP proposal before the meetings with the joint mission in September.
Lima	August 01 and 02	AIDSESEP and CONAP and their regional grassroots membership, CD-FIP and DAR NGO	Presentation of the consensus reached at the meeting of July 24 to 26 and collection of contributions.	The consensus were publicized and contributions collected.
Third Phase				
Lima	October 02	All actors	Final presentation of the FIP IP.	

90. During all of the FIP joint missions,<sup>35</sup> the Inter-Ministerial Committee held meetings with representatives of civil society, indigenous populations and the private sector in the presence of development bank officers.

#### A.2.2. Stakeholder Involvement Plan (PIA) for implementation of the Investment Plan

91. This effective participation will continue to be guaranteed during the design and implementation of the specific projects prioritized within the FIP IP. To that end, key actors will continue to be involved at each level, incorporating the lessons learned during the design and approval phases of the Investment Plan.

92. Drawing on those elements, the Stakeholder Involvement Plan (PIA) will be developed within the framework of Project design and will include a series of guiding principles and criteria for achieving informed, effective and efficient participation during the following phases of readiness preparation, implementation and monitoring of the prioritized projects. Their principal components include a national approach and, complementarily, regional approaches specifically adapted to the needs and conditions in each area of intervention, and concrete institutional and operational strategies.

93. At the national level, and particularly during project design, indigenous participation on the Inter-Ministerial Committee will continue to be ongoing and effective through the AIDSESEP and CONAP national organizations.

94. At the regional level, the PIA seeks to activate and reinforce synergies and interactions among decentralized MINAM and MINAG bodies like the CIAM, regional and local governments, and indigenous, rural and private organizations directly and indirectly involved in forest management and use of forest resources within the areas prioritized for FIP intervention.

<sup>35</sup>Aide-memoire, Lima and Tarapoto Mission, January 17-21, 2011: [http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Peru\\_AIDE\\_MEMOIRE\\_FIP%20SCOPINGMISSION\\_English\\_21\\_1\\_2011\\_6\\_00pm.pdf](http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Peru_AIDE_MEMOIRE_FIP%20SCOPINGMISSION_English_21_1_2011_6_00pm.pdf)  
Aide-memopire, First Joint Mission to Lima, March 21-23, 2012  
[http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP\\_Peru\\_Joint\\_Mission\\_Aide\\_Memoire\\_\(Spanish\).pdf](http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Peru_Joint_Mission_Aide_Memoire_(Spanish).pdf)  
Aide-memoire, Second Joint Mission to Lima, October 3-5, 2012  
[https://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP\\_Peru\\_Joint\\_Mission\\_October\\_2012\\_Completion\\_report.pdf](https://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Peru_Joint_Mission_October_2012_Completion_report.pdf)  
Aide-memoire, Third Joint Mission  
[https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP\\_Peru\\_Joint\\_Mission\\_Aide\\_Memoire\\_\(Spanish\)\\_February\\_2013.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_Peru_Joint_Mission_Aide_Memoire_(Spanish)_February_2013.pdf)

95. The PIA guiding principles are, among others, broad social inclusion, transparency and representativeness, effective governance, respect for diversity, and equitable access to procedures even for conflict resolution. The tools to be used by the PIA will be adjusted to the scope of action, type of actor, interests and opportunities involved. Contacts with private sector actors will be promoted, as will the identification of further vehicles for cooperation in achieving FIP objectives, with specific approaches to be taken for each project. The PIA also seeks to produce and consolidate successful interlinking of public programs and ongoing inter-institutional coordination between the national government level and regional and sub-regional bodies in the FIP area of intervention.

96. The PIA establishes a procedural framework designed to guarantee that beneficiaries and those affected would share effectively in the benefits and co-benefits and in the effective management of risks and impact. The MINAM will coordinate PIA implementation and application and each of the multilateral banks will consider the principles to be followed and action to be taken in the project area.



## **ANNEX 3: DGM PERU PROCESS AND ADVANCES**

### **A.3.1. Connections and alignment between the DGM and the FIP IP**

97. The DGM complements the FIP IP the strategic areas concerning land tenure assurance, community forest management and community governance.

98. In order to avoid superimposition of activities, the DGM will act in most of the 11 other deforestation and degradation fronts in the country's Amazon region that were excluded in the prioritization of the 3 FIP IP intervention areas. It will also help to minimize possible leakage by deforestation and degradation drivers outside the three spheres of operation of the FIP IP. AIDSESP<sup>36</sup> and CONAP<sup>37</sup> participation on the FIP Inter-Ministerial Committee guarantees ongoing dialogue, coordination and agreement between the FIP IP and the DGM. Furthermore, the DGM and the FIP-IP will seek supplementary funds

### **A.3.2. The DGM Peru organization process**

99. The process was launched with the participation of AIDSESP and CONAP in DGM preparatory meetings. In February 2013, AIDSESP and COICA sent 40 objections to the draft international guidelines, together with proposals thereon, covering issues like empowerment of the National Inter-Ministerial Committee (CDN); the problem of "competitive bidding" for low-impact projects; and the strategic importance of disencumbrance and land titling, among others.

100. The Vice-Ministry for Interculturality called a meeting in early March 2013 that was attended by officials from the Ministries of the Environment, Agriculture, Economy and Culture, in order to install the CDN with a majority of state delegates and an indigenous minority. It was explained that this ran counter to international guidelines, for the CDN was indigenous only and the state was participating as an Observer. The explanation was accepted and the opportunity was seized to coordinate a meeting between AIDSESP and CONAP for establishment of the CDN.

103. A meeting of AIDSESP and CONAP national and regional leaders and technicians was held on March 27, 2013, at which the GDM/MDE guidelines were studied in detail. As a result, the following agreements were reached:

a) To set up a 10-member CDN, 5 from AIDSESP and 5 from CONAP, such being national or regional leaders or technicians from the two organizations.

b) To select the World Bank as the agency for channeling DGM financing because it has a broader group of operational guidelines on indigenous, social and environmental rights.

104. AIDSESP held a meeting at the World Bank headquarters in Washington, D.C. on May 1, 2013, with the principal officials responsible for DGM, where its objections to the DGM draft guidelines were discussed. An agreement was reached at that time that the World Bank would respect the proposed adjustments, in light of Peru's indigenous process, in order not to have guidelines that would be imposed the same way regardless of the situation.

105. The operating regulations and functions of the National Inter-Ministerial Committee -CDN of the DGM were drawn up in seven sessions and the body was finally established on July 1, 2013.

106. At the same time, the design of the Regional Indigenous Amazon REDD+ (RIA) Roundtables started in Loreto, San Martín, Atalaya, Madre de Dios, and Ucayali was completed on July 31, 2013, with the establishment of the National Indigenous Amazon REDD+ Roundtable, which was given the mandate to strengthen regional RIA roundtables and complete their establishment in Cusco, Amazonas, Cajamarca and the central amazon..

107. The entire process was shared with officials of the Peruvian government (MINAM, MINAGRI and others) and of the World Bank and the Inter-American Development Bank. A meeting was held on August 5, 2013 with the Vice-Minister for Strategic Natural Resource Development. Its purpose was to deliver all of the documentation that had been advanced and discuss the willingness of AIDSESP and CONAP to harmonize action on forests that

---

<sup>36</sup>The Interethnic Association for the Development of the Peruvian Rainforest - AIDSESP is a national organization presided over by a National Executive Council resting on nine decentralized bodies in northern, central and southern Peru. Today it has 65 member federations that represent 1,500 communities where 650,000 indigenous men and women live, grouped into 16 linguistic families. The communities belonging to the 64 indigenous Amazon peoples are a part of these federations.

<sup>37</sup>The Confederation of Amazonian Nationalities of Peru – CONAP is the indigenous trade association of the Peruvian Amazon that represents 200 thousand indigenous people organized into 35 federations of native communities.

would include the REDD+, RIA, and FIP, and particularly to draw up joint proposals for the COP20. The MINAM was also invited to serve on the selection committee of the MDE-Peru's National Executor Agency (AEN). Subsequently, on September 3, 2013, the MINAM Vice-Minister for Strategic Development sent the World Bank a letter of support for the process followed by the MED-Peru CDN.

### A.3.3. Guidelines

#### 108. Programming approach (art. 20 of the DGM-Peru CDN Regulations)

The DGM will be implemented through Amazon programs on the territory and management of natural resources that support Investment Plan objectives. This will avoid breaking up the DGM fund into small micro-projects with little impact and scattered issues, as well as the inconvenience of holding contests and competitions among indigenous peoples that could create unnecessary divisions. For those reasons, the CDN agreed that DGM-Peru would have two programs that will produce an impact over two stages of implementation.

#### 109. DGM-Peru Stages (art.21 of the MDE-Peru CDN Regulations)

The first stage, consisting of the implementation of the following two two-year programs in communities that are associated with either AIDSESEP or CONAP or independent:

110. a) An approximately \$ 2 million dollar land disencumbrance program in the regions of Loreto, Ucayali, San Martin, Junín, Pasco, Amazonas and Madre de Dios. It includes measures for the recognition, titling and expansion of indigenous communities and of territories by peoples, establishment of Communal and Territorial Reserves and rectification of erroneous community titles. That land disencumbrance will be carried out in coordination and under an agreement with the respective regional governments, bearing in mind the activities that are funded by projects that enjoy FIP financing.

111. b) A roughly \$ 1 million dollar program on forest management in indigenous communities in the Amazon regions of Loreto, Ucayali, San Martin, Amazonas, Junín, Pasco, Ayacucho, Huánuco and Cusco. It can include the management, traditional use and economic development of natural forests, as well as the reforestation or natural regeneration of forests; traditional agriculture, use and conservation of medicinal and aromatic species; agroforestry and cultivation processes that improve local biodiversity; and indigenous landscape administration practices.

112. During the second stage and based on the lessons that have been learned, national programs will be carried out that will contribute to adjustment of REDD+ to the worldviews and rights of indigenous Amazon peoples.

## **ANNEX 4. READINESS PREPARATION PROCESS FOR REDD+**

### **A.4.1. Background data**

113. Peru was recognized by the FCPF in 2008 as one of the first pilot countries for the launching of an REDD+ process that involved drawing up a readiness preparation proposal for the mechanism (R-PP). After a coordinated and participatory effort with civil society, organizations of indigenous peoples and actors linked to the REDD+ process, Peru was able to present its Proposal to the Participants Committee of the Forest Carbon Partnership Facility (FCPF) at its eighth meeting (PC 8) held in Da Lat, Vietnam in March 2011. The proposal was approved (resolution PC/8/2011/7) and as a result of that review, the Committee asked the Government of Peru for a revised version of the R-PP, a preparation process that is currently underway.

### **A.4.2. R-PP in Peru**

114. The readiness preparation document for REDD+ contains a diagnosis of Peru's current level of readiness preparation for REDD+ in different aspects, following the standard format proposed by the FCPF. It includes an analysis of forest institutions in the country and the actors that participate in the REDD+ process, as well as preparation of the REDD+ Action Plan, the MRV system, reference scenarios and the assigned budget.<sup>38</sup>

115. RPP updating is based on the original document approved and the strategic approach taken situates the REDD+ process within the framework of national forest management policy with emphasis on its complementarity with other forest and climate change mechanisms. It further updates regulations and indicators on the state of the forests and establishes harmonized criteria that will be used to prepare the national REDD+ strategy (strategic guidelines) and build the MRV system.

116. The recommendations formulated by PC8 were incorporated during this process. Insofar as dialogue and participation are concerned, the sectors have been involved more actively, while the other actors (civil society and indigenous peoples) are continuing to participate actively in the formulation of the Forest Investment Plan. In this way, a link has been established between the RPP and the FIP by coordinating the various phases of the process and the activities of each of the proposals (see Table A.4.1).

---

<sup>38</sup>RPP document approved in March 2011: <http://www.forestcarbonpartnership.org/pc8-march-23-25-2011-da-lat-vietnam>

Table A.4.1. REDD+ roadmap

		FIP	FCPF
Phase 1: Readlines Preparation	Legal framework		X
	Institutions		X
	Capacity-building	X	X
	Information	X	X
	Participation and consultation	X	X
	Financing	X	X
Phase 2: National REDD+ Strategy Design	Vision		X
	Preparation of the bases for the design		X
	Definition of action to be taken and responsible parties, among other things		X
	Implementation planning		X
Phase 2: National REDD+ Strategy Design	Financial and distribution of benefits plan	X	
	Monitoring, Reporting and Verification System	X	
	Steps for the fight against deforestation and forest degradation	X	
	Forest conservation action to be taken		
	Action to be taken for sustainable forest (goods and services) management		
Phase 4: Results-Based Incentives	Reforestation action to be taken and responsible parties, among other things		
	Definition of action to be taken and responsible parties, among other things		
	Development of the forest carbon market		
Phase 4: Results-Based Incentives	Development of the system of payments for environmental forest services		
	Miscellaneous: funds, conditional direct transfers, subsidies, credits		

117. Over the year, the MINAM will complete the design of the Registry of REDD+ initiatives, to be approved by Ministerial Resolution. This will help to produce a database that will avoid the existence of initiatives that are not in line with REDD+ policy developed by the Peruvian government and will also contribute to better implementation of the REDD+ Action Plan.

#### A.4.3. Advances in the REDD+ readiness preparation process

118. The RPP components that have been reviewed to date, in an initial version, are Component 1: Organization and Consultation, and Component 2: Preparation of the REDD+ strategy. The counterpart payments of the budget submitted are now under review. Component 3: Reference Scenarios and component 4: Design of the Monitoring System are being defined under an IDB consultancy service provided to the MINAM. In this connection, several meetings have been held to coordinate the advances made in discussing the issues. The aim is to have sole, clearly-defined criteria regarding the MRV system methodology and approach to be used for REDD+ and that would constitute part of a National MRV System. Component 5: Schedule and budget is being advanced simultaneously with the development of the activities of each component. Two years of activities, 2014 and 2015, have been scheduled for the Readiness Preparation Proposal.

119. The Ministry of the Environment has been implementing projects since March 2011 that contribute directly to the REDD+ readiness preparation phase. An example is the project financed by the Gordon and Betty Moore Foundation, which supports the design of a measurement, reporting and verification (MRV) system, in addition to information about institutional arrangements and synergies for the MRV system. Other initiatives have also been added, like the UN-REDD project aimed at the capacity-building of indigenous peoples, implemented through the National Forest Conservation Program for Climate Change Mitigation (PNCBMCC). The processes carried out in recent months (FIP and FCPF) have resulted in the above-cited projects' aligning their action with the consensual guidelines on forests and climate change. In that way, a shared vision is emerging of the various initiatives that will facilitate design of the REDD+ strategy and its subsequent implementation.

**ANNEX 5. CONSOLIDATED COMMENTS BY EXTERNAL REVIEWERS OF THE FOREST INVESTMENT PLAN**

**External Reviewer: Jose Carlos Fernandez**

General comments by reviewers	Technical recommendations by reviewers	Response from Steering Committee	Changes in the Investment Plan
<b>Part I. General Criteria</b>			
<p>1. The Investment Plan proposed by the Government of Peru adequately considers the principles, goals and criteria of the Forest Investment Program. These elements are addressed systematically in the plan's structure and the project concepts presented.</p>	<p>No specific recommendations.</p>	<p>We agree with the appraisal.</p>	<p>None.</p>
<p>2. Various sections of the plan mention the current conditions of institutional weakness and lack of technical capabilities as factors undermining governance structures and preventing sustainable use of forests in the various forest landscapes. In fact, the plan correctly includes significant efforts to improve technical and management capacity of various stakeholders. However, the Plan does not provide grounds to assess whether there are capabilities or not to implement the Plan itself within each of the proposed regions. This availability of human resources and support agencies to implement the Plan is essential for its success. This observation does not mean that these resources are not available, but the current situation must be clarified within the Plan itself.</p>	<p>III.15 With no evaluation of existing capabilities, we suggest describing in more detail how some major programs currently operate in the regions.</p>	<p>The recommendation is accepted. An evaluation of institutional capacities is planned at the design stage of the investment projects in the regions identified.</p>	<p>None.</p>

<p>3. The dynamics and causes of changing land use are adequately considered in the overall design of the plan. These technical elements have enabled logical selection of the areas of intervention both geographically and in terms of direct and underlying causes to be considered as goals for transformation through the Forest Investment Plan. Although the information and technical analysis made it possible to characterize different pilot areas, it has not yet been possible to specify the general components of the intervention model within the plan. One challenge to implement the plan will be to have the necessary inputs to make projects specific enough to strike a more accurate balance between activities and budgets.</p>	<p>I.3. At the project preparation stage, the necessary elements must be developed to strike a more accurate balance between activities and budgets.</p>	<p>We agree with the comment and recommendation. In the project design phase, this recommendation will be applied.</p>	<p>None.</p>
<p>4. The Plan clearly shows the potential to cause a transforming impact on some of the structural factors of deforestation and degradation, creating territorial management capacity, making land tenure more secure and contributing to increasing forests' value added.</p>	<p>No specific recommendations.</p>	<p>We agree with the comment.</p>	<p>None.</p>
<p>5. Regarding monitoring and evaluation, the Plan introduces substantive elements to establish a system to monitor deforestation and degradation "in real time". With support from other initiatives and assistance, including the FCPF, this component receives adequate attention. At the same time, the need is recognized to generate baseline studies for socio-economic and institutional factors. However, the task of regular tracking of these variables and their cost seems not to be incorporated into any component, so it is recommended to incorporate it.</p>	<p>I.5. Include the costs associated with the tasks of monitoring and evaluation of investment plan projects. III.21. It is recommended for the specific project design to consider a way to ensure ongoing, timely generation of information as well as regular evaluation of the institutional and socio-economic factors the Plan seeks to transform.</p>	<p>We agree with the comment and recommendations. These costs are considered under the lines of project administration, a total of USD 4.4 million, which must cover administration, monitoring and evaluation, and audit expenses.</p>	<p>The Table of Section 8 has disaggregated the expenses involving administration, monitoring and evaluation, and audits.</p>

<p>6. Planned participatory events for key stakeholders seem appropriate to the plan's needs.</p>	<p>No specific recommendations.</p>	<p>During plan preparation, a participatory process was pursued. Further, during the implementation phase, the Stakeholder Involvement Plan (PIA) will be implemented.</p>	<p>None.</p>
<p>7. Baseline studies, gender studies and others to develop the safeguarding instruments are critical to reinforce project development and implementation, as well as to update proposed targets and budgets. Estimates included in the current plan are reasonable given the available information, but must be updated.</p>	<p>Update estimates for baseline studies, gender studies and others to develop safeguarding instruments.</p>	<p>We agree with the comment and recommendation. During project design, we will take updating of the baseline information into account.</p>	<p>None.</p>

Part II. Specific FIP criteria

<p>1. Land use and changes in land use are the greatest source of GHG emissions in Peru, with over 56 million tCO<sub>2</sub>e, associated mainly with loss of forests at an average rate of 110,000ha/year. The three proposed pilot areas feature a change dynamic representing nearly 30% of national deforestation (adding Tables A.1.1-3 and contrasting with Table 1.3). This shows that the Plan seeks to impact a significant fraction of deforestation and degradation dynamics, and the resulting emissions nationwide. However, the estimate that the Program will decrease deforestation by 50% and increase carbon stocks by nearly 5 million tCO<sub>2</sub>e is presented without any details of how it was calculated – this could be reinforced. One challenge of the pilot design will be to minimize and evaluate displacement of emissions, since pressure factors, such as migration, could potentially be displaced to other regions in a relatively flexibly manner.</p>	<p>Incorporate measurement of emissions displacement in monitoring and/or evaluation actions.</p> <p>III.14 It is suggested to show calculations even if only generally, to justify the plan's potential impact with some additional grounds now available and attempt to analyse in greater detail during project formulation.</p> <p>Incorporate into monitoring and/or evaluation actions.</p>	<p>We agree with the comment. The Table of Outcomes, Section 9 of the Investment Plan, quantifies potential emissions from displacement outside the territories selected.</p> <p>Projects will conduct detailed evaluations to estimate potential displacement resulting from the intervention.</p>	<p>The details on calculating emissions reduction were given in Section 9 and annexes.</p>
---	---	---	--



<p>2. The Plan clearly presents the key direct and indirect factors of deforestation and degradation. The design decision to focus on reducing incentives to convert forests for small-scale agriculture (causing 75% of deforestation) and reinforce governance to curb illegal logging (main factor in degradation) is very appropriate. However, in both cases, the Plan treats expansion of transport infrastructure and migratory flows from the Andean Region as exogenous elements or as covered by other programs. They pose a risk that must be explicitly considered in project design, leading to possible mitigation measures.</p>	<p>III.16. Incorporate in Section 7, as a risk for the Plan, the possibility that measures to reduce migration from the Andean zone will be ineffective, and the risk of expanding roadway infrastructure that might cause unexpected, heightened pressures.</p>	<p>We agree to include details in Section 7 of the IP on risks that might result from migration and high infrastructure, bringing pressure on forests in the areas of intervention. In the phase of preparing the investment plan, in areas of intervention, we have considered the effects of highways on deforestation processes. For example, the Satipo/Atalaya highway and the Central and Southern inter-oceanic highways.</p>	<p>These risks have been included in Section 7 of the IP.</p>
<p>3. Inclusive processes and participation by all key stakeholders, including indigenous peoples and local communities. Both the design and the implementation of the Plan seem to contain adequate, sufficient activities and considerations.</p>	<p>No specific recommendations.</p>	<p>We agree.</p>	<p>None.</p>
<p>4. Regarding social participation mechanisms to design the plan, 15 national and sub-national activities are described, which seem sufficient to effectively inform the Plan and promote greater societal acceptance of it. Although they would seem to include a broad range of stakeholders, these details are not included in the Plan.</p>	<p>Include details of stakeholder participation in the process.</p>	<p>We agree. Annex 2 is a summary of the PIA. The full PIA document includes a mapping of the significant stakeholders.</p>	<p>A link to the PIA has been included in Annex 2 of the IP.</p>

<p>5. During plan implementation, attention must be given to designing proposed involvement plans. The intention to channel resources from the dedicated mechanism (DGM) toward investments to complement the FIP in other regions represents an opportunity to ensure relations with societal stakeholders from other regions and with the National DGM Steering Committee.</p>	<p>No specific recommendations.</p>	<p>We agree with the comment.</p>	<p>None.</p>
<p>6. Potential for full-scale demonstration. The plan proposes to gear efforts toward three regions representing diverse dynamics in land use change, contributing positively to replicability in other regions. The proposed areas also have a significant size and are not isolated projects or activities, so they offer full-scale models that can be replicated in other regions.</p>	<p>No specific recommendations.</p>	<p>We agree.</p>	<p>None.</p>
<p>7. Profitability. The Plan establishes several mechanisms to mobilize additional financial resources from both public and private sources.</p>	<p>III.20. Regarding paragraph 73 of the Annex, proposing a study of the potential of a broad array of financing measures, it is recommended, if possible, to have these studies ready during the design of specific projects and not later, since otherwise this could cause delay and fail to usefully complement other components of the plan.</p>	<p>We agree with the recommendation, but this will require resources, which will be available after the projects are approved. Therefore, this activity will be considered in year one of implementation. Some feasibility studies to analyse financial mechanisms will be conducted by the Peruvian Government through the National Forest Conservation Program during the project design phase.</p>	<p>None.</p>

<p>8. During implementation, the Plan (Section 5) presents the findings of a gap and overlap analysis of initiatives related to REDD and with some elements of the FIP. This is a useful basis to ensure complementary non-duplication among initiatives. Although coordination of these efforts with Peru's Government is mentioned, it would be desirable to consider a specific design mechanism. The above is important and will be necessary in the short term, since gaps and overlaps created by current initiatives will affect specific project design.</p>	<p>III.19. It is recommended to consider the advantages of creating a coordination mechanism among donors to include in the description in Section 5.</p>	<p>We agree, but this point is being addressed in the FCPF framework. The national REDD strategy will be the instrument to coordinate the diverse initiatives of international cooperation.</p>	<p>Include a Box in Section 5 of the IP explaining how National REDD+ Strategy will facilitate coordination of international cooperation initiatives.</p>
<p>9. Regarding mobilization of investment by the private sector, the Plan correctly includes actions to remove barriers to investment and to involve the private sector in general terms, which is appropriate.</p>	<p>No specific recommendations.</p>	<p>We agree.</p>	<p>None.</p>
<p>10. Possible promotion of ecosystem service mechanisms is mentioned, but not with sufficient detail of the possible mechanism for creation, to assess whether this would create dependence on subsidies and might become part of the project.</p>	<p>Outline details of the ecosystem service mechanism and its relationship with the IP.</p>	<p>Project 4 considers funding feasibility studies on different instruments including ES payment schemes. If the PES system is feasible, a pilot initiative would be funded. Creating mechanisms is not the IP's responsibility.</p>	<p>None.</p>
<p>11. Collateral benefits: The activities proposed in the Plan are conducive to generating environmental, socio-economic and institutional co-benefits, which are adequately considered in the Plan. In fact, many of the co-benefits are also necessary conditions to achieve the proposed benefits in reducing deforestation and degradation.</p>	<p>No specific recommendations.</p>	<p>We agree.</p>	<p>None.</p>

<p>12. Implementation Potential: The Plan says that public stakeholders and key organizations are willing to support project implementation, while the FIP will provide financial resources and technical assistance for implementation. However, no details are provided on the operational capacity and availability of human resources in each region and nationally, in both public stakeholders and the native communities themselves and other stakeholders, which makes it difficult to assess how fast the substantive activities can be implemented. The Plan mentions that this will be done during project design. This is reasonable, although it will call for some flexibility in allocating budgets and timing to implement each component in the different regions.</p>	<p>III.15 With no evaluation of existing capacities, we suggest describing in more detail how some major programs currently operate in the regions. III.18. It would be useful to have some elements more specific, as available preliminarily, on operating capacities and available human resources to operate the plan.</p>	<p>The recommendation is accepted. Evaluation of institutional capacities is planned for the investment project design stage.</p>	<p>Include a Box in Section 5 of the IP explaining how National REDD+ Strategy will facilitate coordination of international cooperation initiatives.</p>
<p>13. Natural forests: The investment plan contains adequate emphasis on remaining natural forests. Including activities to improve the surveillance capacity and strengthen local capacities will contribute to improving the conservation status of natural forests. No activities are being supported that directly or indirectly drive a loss of forests or conversion to agriculture.</p>	<p>No specific recommendations.</p>	<p>We agree.</p>	<p>None.</p>
<p>Description of the social context in the introduction and projects in Annex 1</p>	<p>17. It is recommended to include a description of the social context in the introduction, as well as a more specific description of significant considerations regarding societal stakeholders and their organizational structure in describing each pilot project.</p>	<p>We agree with the suggestion, which will be considered during project design.</p>	<p>None.</p>

Changes in form.	III.22. Some citations missing in Section 1.1 of the document.	We agree.	Updated in the IP.
	III.23. It is recommended to include a Section of Acronyms in the Plan.	We agree.	Updated in the IP.
	I.24. It would be useful to insert a description of what we understand by: land tenure, governance, appraisal and innovation, in a paragraph before Table 2.1.	We agree.	Updated in the IP.
	III.25. In Tables A.1.1, A.1.2 and A.1.3, the period for which deforestation was calculated in 2000 is not clear. The column heading could simply be changed.	We agree.	Updated in the IP.
	III.26. Regarding the Table describing activities to develop the plan and included in Attachment 2, it is recommended to be a bit more specific with the number and type of stakeholders involved in each workshop held to have a clearer idea of their scope.	We agree.	Updated in the IP.

**ANNEX 5. CONSOLIDATED COMMENTS BY EXTERNAL REVIEWERS OF THE FOREST INVESTMENT PLAN**

**External Reviewer: Miguel Pinedo**

General comments by reviewers	Technical recommendations by reviewers	Response from Steering Committee	Changes in the Investment Plan
Section: Summary			
<p>The PIF-Peru proposal includes interesting activities under way and is being prepared as part of a national strategy to mitigate and adapt to climate vulnerability.</p>	<p>No specific recommendations.</p>	<p>We agree with the comment, clarifying that the Investment Plan is an initiative that will integrate various public policies and sector programs with a territorial approach in three areas of intervention, to reduce emissions caused by deforestation and forest degradation, and increase carbon reservoirs.</p>	<p>None.</p>
<p>There is no doubt that the PIF-Peru proposal addresses an issue that is in the financing entity's investment portfolio, but several components or lines of forest investment that could reverse deforestation and environmental degradation are absent from the proposal.</p>	<p>No specific recommendations.</p>	<p>The Investment Plan addresses concrete opportunities to reduce emissions related to deforestation and forest degradation, identified during the Plan's design phase and using the criteria of the Forest Investment Program (FIP) and the country's development priorities. However, the reviewer provides no input to evaluate alternative lines of investment alternatives.</p>	<p>No changes in the IP.</p>

<p>Whereas the proposed investment plan's multiple co-benefits (social and environmental) from forests within indigenous territories and protected areas are well developed, schemes to investment in forests with mosaic landscapes dominated by riverine, settler and other small-farming production systems, and other sectors of civil society, this is mentioned little and mostly missing from of the proposal.</p>	<p>No specific recommendations.</p>	<p>We disagree with the comment. As described in Section 1.3.2, the main driver of deforestation is small-scale agriculture. This activity is predominantly pursued by small and medium farmers. Section 2 has identified investment opportunities related with their activities. We must clarify that the IP does not involve interventions in protected areas.</p>	<p>No changes in the IP.</p>
<p>Perhaps the intention is to use experience and information generated by the multiple interventions and investments by governmental and non-governmental organizations over the last three decades to resolve the crisis of biodiversity.</p>	<p>No specific recommendations.</p>	<p>We disagree with the comment. The Investment Plan clearly presents the assessment of the problem, the approach and opportunities for intervention and the projects. The Investment Plan is intended to select an array of policies and management instruments based on the best evidence available about effectiveness in reducing emissions.</p> <p>The proposed inter-sector intervention in the landscape is proposed as the innovative aspect of the Investment Plan with regarding traditional models by sectors.</p>	<p>No changes in the IP.</p>
<p>Despite its limitations, PIF-Peru is an interesting proposal so it is important to list the following characteristics: (1) greater emphasis on the socio-environmental and socio-biological part, which can have multiple applications in managing the forest's supply and demand in the future scenario of climate change; (2) recognition of the socio-environmental risks that might limit the profitability of the forestry investment in the short, medium and long term; and (3) greater emphasis on governance as a key element reducing forestry investment risks, mainly in forests that are part of indigenous territories.</p>	<p>No specific recommendations.</p>	<p>We disagree with the comment. As described in Section 1.3.2, the main driver of deforestation is small-scale agriculture. This activity is predominantly pursued by small and medium farmers. Section 2 has identified investment opportunities related with their activities. We must clarify that the IP does not involve interventions in protected areas.</p>	<p>No changes in the IP.</p>



Section: Comments and recommendations

PIF-Peru focuses on an emerging, important area of investment that is somewhat dependent on updated information sources, synthesis of trends and patterns in supply and demand and other data regarding the forestry investment.

However, the reality is that Peru lacks sources of freely accessible public or private information that would enable investment risk management with low levels of uncertainty.

The contents of the proposal reflect this lack of information sources (there is information but not freely accessible) and much of the information on socio-environmental issues is speculative.

PIF-Peru could be an opportunity to gather scattered information and store it in data banks, in freely accessible format, and generate summarized information to facilitate investment in forests, in indigenous territories, protected areas, etc.

The IP will contribute to produce information that is freely accessible on deforestation and forest degradation. However, other sources of data relevant to this process are being generated by specialist institutions and are publicly accessible (e.g., National Statistics and Computing Institute).

The Forest Investment Program has two stages: 1. focusing on designing the Investment Plan, and 2. drafting specific projects identified in the Plan.

For the Investment Plan, the best information was used, generated by the various government entities, including information that was not yet available to the public (e.g., the preliminary version of the agricultural census and the data base on deforestation and forest degradation). We also commissioned specific studies to analyse the causes of deforestation and forest degradation, gaps and overlaps in investment and regional workshops with key stakeholders in the process (settlers, native communities, forestry businesspersons, etc.).

However, the detailed information will be generated by each project in its design phase.

No changes in the IP.

The proposed lines of investment are reasonable, but not innovative. PIF-Peru seems to be replicating similar proposals funded by international cooperation and donors. It emphasizes institution building over promotion and incentives for forestry activity as an instrument to facilitate climate change adaptation and mitigation.

PIF-Peru could be an opportunity to gather scattered information and store it in data banks, in freely accessible format, and generate summarized information to facilitate investment in forests, in indigenous territories, protected areas, etc.

We disagree with this unsupported comment.

The innovative model of the proposal is based on the cross-cutting, inter-sector approach of the interventions as opposed to separate sectorial approaches. Evidence from operations of MDBs and published scientific literature show that the effectiveness and efficiency of innovative proposals such as payments for environmental services, and community forestry, depend on having minimal enabling conditions in place, such as physical planning, allocation of property rights and forest governance.

Institution building is a key component of the intervention, but not the main element of the Investment Plan. As Section 8 of the IP shows, the budget allocated for governance and institution building (US\$ 5.7 mill.), is only 10% of the total investment. Further, the budget allocated to promote incentives for activity reducing deforestation and degradation and increasing carbon reservoirs is US\$ 25.0 million, which is 50% of the Program's total budget.

No changes in the IP.

Although it includes plans to reinforce rights of indigenous peoples and sustainable use of their forests, it does not include other societal sectors or their great diversity of forestry activities they practice.

No specific recommendations.

We disagree with the comment. The plan has been designed to address the drivers of deforestation and forest degradation in three regions representing the diverse dynamics of changes in land use. As the assessment shows, 75% of deforestation is associated with traditional small-scale agriculture (settlers, etc.). In a complementary analysis, according to the land use category and type of land tenure, the highest rate of deforestation happens on private land, woodland areas without assigned rights, and rural communities' areas (see details in Section 1.3). Project proposals in Annex 1 have been developed on the basis of that assessment and approach to intervention and include specific activities for the different stakeholders (small and medium farmers, logging concessions and indigenous communities).

No changes in the IP.

<p>Among the non-indigenous Amazonian population (including Andean migrants), they are not all agents of deforestation and forest degradation. Many are planting trees and restoring forests (there are many cases documented). These societal stakeholders are ignored and their activities are under-valued. Tree and forest production, management and conservation provide a diverse range of timber and non-timber products, as well as environmental services, for thousands of families, ensuring their long-term food and environmental security. Who are these families, where do they live, what tree and forest production, management and conservation systems do they use?</p>	<p>PIF-Peru could be a source of financing to gather information to answer these and other questions. Lack of information about forestry activity by small and medium farmers is one of the reasons why community forestry initiatives fail. PIF-Peru could help change this collective (supposed) vision to a private or family (real) vision of forestry activity by small and medium farmers.</p>	<p>We do not agree with the comment that these societal stakeholders and their activities have been ignored in the IP. Component 3 “appraising environmental assets of forests and degraded areas” in each project includes interventions oriented toward these stakeholders and activities. The project design phase will identify the target population, their characteristics, and the specific design of the instrument to support these economic activities.</p> <p>Regarding the recommendation about financing, we stress that the detailed information on how forestry initiatives and recovery of degraded areas by different stakeholders will be supported, will be specified for each project in each of the pilot regions selected.</p>	<p>No changes in the IP.</p>
<p>One peculiar feature of forestry by small and medium farmers: it is predominantly individual and family-based, not collective as perceived by some governmental and non-governmental agencies.</p>	<p>IP-Peru could be a good incentive for forest investment, with evidence helping well-informed forest investment.</p>	<p>We agree that forest investment must be based on information to ensure its effectiveness. The Investment Plan does not assume a priori that the model is associative or individual. The individual or associative production modality will depend on many factors such as the type of forest products or services, scale and others in each area of intervention.</p>	<p>No changes in the IP.</p>

<p>In the case of indigenous, riverine, settler and other social groups, products of forestry are for family benefit rather than collective. However, environmental and ecosystem services are for collective benefit. So, it is a challenge to design forest investment programs that seek to generate economic resources for the family and the collective. PIF-Peru has great potential to explore new models or replicate experiences from successful models in Peru or other regions and countries.</p>	<p>Payment systems such as conditional cash transfer (CCT) and even programs of payment for environmental services (PES) that pay families directly and have been successful in other Amazon countries, could serve as models for Peru. An appropriate design for Peru's reality with CCT or PES could reverse deforestation and forest degradation, turning them into reforestation or forest restoration processes.</p>	<p>We agree partially. The Investment Plan recognizes, as a challenge and an opportunity, the non-existence of markets for ecosystem services (Section 3.2). However, is also recognizes that, to establish CCT or PES mechanisms requires such basic conditions as<sup>39, 40</sup>:</p> <ul style="list-style-type: none"> <li>- Clear land tenure</li> <li>- Capacities for monitoring and oversight</li> <li>- Generating economic alternatives that generate or maintain the ecosystem service, considering the additionality.</li> <li>- Legal and institutional framework defined for these schemes.</li> <li>- Guarantee the sustainability of the payment systems.</li> </ul> <p>Therefore, the Investment Plan is oriented as a priority toward establishing these basic conditions - "no regret investments" - which in turn will generate impacts on reducing emissions from deforestation and degradation. However, the Investment Plan will support implementation of the National REDD+ Strategy so the country is prepared if a global agreement is reached to ensure demand for and sustainability of payments for ecosystem services of climate regulation.</p>	<p>No changes in the IP.</p>
<p>PIF-Peru is a great opportunity to make forest investment with great impact producing spatial changes in the forest cover and leading to reduced emissions and decreased socio-environmental vulnerability to climate variability (including extreme events).</p>	<p>No specific recommendations.</p>	<p>We agree with the comment. The Investment Plan pursues the FIP goals because investments lead to transforming the landscape from isolated, single-sector interventions to inter-sector interventions coordinated with each other to reduce emissions from deforestation and degradation and generate social and environmental co-benefits.</p>	<p>No changes in the IP.</p>

<sup>39</sup>Forest Trends, The Katoomba Group, and UNEP (2008) Payments for Ecosystem Services. Getting Started: A Primer. Available at: [http://www.unep.org/pdf/PaymentsForEcosystemServices\\_en.pdf](http://www.unep.org/pdf/PaymentsForEcosystemServices_en.pdf)

<sup>40</sup>Greiber, Thomas (Ed) (2009). Payments for Ecosystem Services. Legal and Institutional Frameworks. IUCN, Gland, Switzerland. xvi + 296 pp. Available at: <http://data.iucn.org/dbtw-wpd/edocs/EPLP-078.pdf>

PIF-Peru can be an opportunity for an inclusive forest investment program and not exclusive as in most investment initiatives in the conservation of biodiversity sector. However, the approach of PIF-Peru toward forest investment to conserve forests in indigenous territories and protected areas gives an impression that the proposal is more an “Investment plan to conserve forests in indigenous territory and protected areas” than a “Forest Investment Plan” leading to integrate forestry into national or regional mitigation and adaptation plans. The proposal of an exclusive PIF for protected forests and in indigenous territories runs the risk of perpetuating the exclusive investment model generated by funding agencies that have financed conservation initiatives for over two decades (since Rio 92). Section 5 (61) lists the investments for REDD+ and conservation of biodiversity, which are quite similar in their approach and priorities to those proposed in PIF-Peru.

What is the criterion to continue giving priority to and focusing on the same lines of investment? This question has not been discussed in the body of the proposal. For example, it would be illustrative to learn why the PIF will be used to finance the design of the national strategy document for REDD+. Doesn't this overlap with investment from cooperation funds for carbon in forests (FCPF) or other donor funding? Answers to this question and others like it will help understand why PIF-Peru is not inclusive and why it focuses on investments for forests in indigenous communities' territories.

PIF-Peru also has great potential for creating financial incentives to compensate farmers who use low-emission production systems.

We disagree with the comment. The Forest Investment Plan takes a landscape approach including all stakeholders involved in productive activities in areas that were deforested, using timber and non-timber resources and ancestral ways of using the forest.

The purpose of the FIP is to reduce emissions from deforestation and forest degradation, which is achieved precisely by conserving forests. The Forest Investment Plan does not focus on protected areas but rather on fronts of deforestation, to reduce pressure on forests, and on forest to increase their competitiveness compared to other land uses, to keep them from being converted or degraded (see Sections 1 and 2, fig. 2.1, Section 6, Attachment 1). This calls for involving all stakeholders living or using each unit of the landscape.

The criterion giving priority to investment opportunities is outlined in Section 2. The direct and underlying causes of deforestation and degradation were analysed to identify opportunities. Section 5 identifies the funding sources that will collaborate for this single purpose of reducing emissions from deforestation and degradation and increasing carbon reservoirs.

No changes in the IP.

		<p>In fact, the REDD+ strategy is prepared under the FCPF framework as mentioned in Sections 1.4; 3.2 and 5. Implementing the Investment Plan will help implement the REDD+ strategy with lessons learned from experiences in a participatory process from the regional and local level.</p>	
<p>Despite its exclusive nature, the PIF-Peru proposal has great potential to influence changes in forest investment to help change from an extractive activity to a productive one. This trend in the transition from extractive to productive is increasingly evident in supply and demand for wood on local markets of the Amazon region. While timber logged from natural forests (mainly fine tropical hardwoods) supply the international market (mainly China), timber grown by small and medium farmers (mainly softwoods) supply the market in Amazonian towns. The approach to indigenous communities' forests reduces the possibility for PIF-Peru to make a large impact on forest investment for climate change.</p>	<p>No specific recommendations.</p>	<p>We disagree with the comment. The appreciation that the IP is not inclusive is inaccurate and it is not exclusively for indigenous communities' territories, as already explained.</p>	<p>No changes in the IP.</p>



**ANNEX 6. TEMPLATE FOR PROJECT/PROGRAM PREPARATION GRANT REQUEST<sup>41</sup>**

project1	
<b>FOREST INVESTMENT PROGRAM</b> Project/Program Preparation Grant Request <sup>42</sup>	
<b>1. Country/Region:</b>	Peru- Latin America
<b>2. CIP Project ID#:</b>	(Trustee will assign ID)
<b>3. National FIP Focal Point:</b>	Project 1: Integrated forest landscape management along the main route between Tarapoto and Yurimaguas in the Regions of San Martín and Loreto
<b>4. Tentative FIP Funding Request (in USDmillion total) for Project<sup>43</sup> at the time of Investment Plan submission (concept stage):</b>	Grant: 8.17M Loan: 4.4M
<b>5. Preparation Grant Request (in USD):</b>	0.37 MDB:IDB
<b>6. National Project Focal Point:</b>	Ministry of the Environment, Peru
<b>7. National Executing Agency(project/program)</b>	Ministry of the Environment, Peru
<b>8. MDB FIP Focal Point and Project/Program Task Team Leader (TTL):</b>	Headquarters-FIP Focal Point: Gloria Visconti IDB gloriav@iadb.org  TTL: Eirivelthon Lima IDB elima@iadb.org
<b>9. Description of activities covered by the preparation grant:</b>	<p>The Government of Peru is requesting a project preparation grant for Project 1 to support<sup>44</sup> :</p> <ul style="list-style-type: none"> <li>- Studies to define costs, components , activities, chronogram and execution mechanism of the project.</li> <li>- Studies related to the definition of a monitoring and evaluation system to calculate GHG reductions.</li> <li>- Studies to define a baseline to calculate the impact on poverty reduction for indigenous and local people that will be affected by the project in the area of Tarapoto – Yurimaguas, in the regions San Martín y Loreto. It willinclude an ad hoc analysis to estimate the impact on gender.</li> <li>- Implementation of year one (preparation phase) of the Stakeholders Engagement Plan (PIA). This includes, workshops and capacity building activities in the Regions of San Martín and Loreto.</li> </ul>

<sup>41</sup>To be annexed to the Investment Plan.

<sup>42</sup>A separate template needs to be presented for each project and program preparation grant request listed in the Investment Plan.

<sup>43</sup>Including the preparation grant request.

<sup>44</sup>All the studies and activities developed will be conducted in synergy with those carried out for the other projects.

10. Outputs:	
Deliverable	Timeline
(a) Detailed work plan	December 2013
(b) Draft findings	May 2014
(c) Validation of results from studies and consultations	June 2014
(d) Final studies and consultations completed	August 2014
11. Budget (indicative):	
Expenditures <sup>45</sup>	Amount (USD) - estimates
Consultants	180,000
Stakeholder Engagement Plan Implementation for preparation phase (consultation, workshops and capacity building activities)	160,000
Travel/transportation	15,000
Others (admin costs/operational costs)	5,000
Contingencies (max. 10%)	10,000
Total Cost	370,000
Other contributions:	
<ul style="list-style-type: none"> <li>• Government</li> <li>• MDB</li> <li>• Private Sector</li> <li>• Others (please specify)</li> </ul>	To be defined To be defined To be defined
12. Timeframe(tentative)	
Submission of pre-appraisal document for FIP Sub-Committee Approval: October 2014 Expected Board/MDB Management <sup>46</sup> approval date: January 2015	
13. Other Partners involved in project design and implementation <sup>47</sup> :	
Regional Governments of San Martin and Loreto and different local actors in the area of intervention. Indigenous People representatives, with particular reference to AIDSESP and CONAP as members of the Interministerial committee.	
14. If applicable, explanation for why the grant is MDB executed:	
15. Implementation Arrangements (incl. procurement of goods and services):	

<sup>45</sup>These expenditure categories may be adjusted during project preparation according to emerging needs.

<sup>46</sup>In some cases activities will not require MDB Board approval

<sup>47</sup>Other local, national and international partners expected to be involved in design and implementation of the project.

**TEMPLATE FOR PROJECT/PROGRAM PREPARATION GRANT REQUEST <sup>48</sup>**

project 2	
<b>FOREST INVESTMENT PROGRAM</b> Project/Program Preparation Grant Request <sup>49</sup>	
<b>16. Country/Region:</b>	Peru- Latin America <b>17. CIP Project ID#:</b> (Trustee will assign ID)
<b>18. Project Title:</b>	Project 2: Territorial Planning and Forest Management to Prevent Deforestation and Illegal Extraction in Atalaya, Ucayali (unofficial translation).
<b>19. Tentative FIP Funding Request (in USDmillion total) for Project<sup>50</sup> at the time of Investment Plan submission (concept stage):</b>	Grant: 6.2M      Loan: 6.4M
<b>20. Preparation Grant Request (in USD):</b>	0.4      MDB:IDB
<b>21. National Project Focal Point:</b>	Ministry of the Environment, Peru
<b>22. National Executing Agency (project/program):</b>	Ministry of the Environment, Peru
<b>23. MDB FIP Focal Point and Project/ Program Task Team Leader (TTL):</b>	Headquarters-FIP Focal Point: Gerhard Dieterle IBRD gdieterle@worldbank.org      Headquarters-FIP Focal Point: Gerhard Dieterle IBRD gdieterle@worldbank.org
<b>24. Description of activities covered by the preparation grant:</b>	<p>The Government of Peru is requesting a project preparation grant for Project 2 to support:</p> <ul style="list-style-type: none"> <li>- Project implementation plan, operational manual, safeguards documents and financial management procedures and procurement plan.</li> <li>- Technical feasibility studies as needed.</li> <li>- Studies to define costs, components , activities, time line and execution mechanism of the project.</li> <li>- Studies related to the definition of a monitoring and evaluation system including the calculation of GHG reductions.</li> <li>- Studies to define a baseline to calculate the impact on poverty reduction for indigenous and local people that will be affected by the project in the area of Atalaya, Ucayali.</li> <li>- Implementation of year one (preparation phase) of the Stakeholders Engagement Plan (PIA). This includes, workshops and capacity building activities in Atalaya, Ucayali.</li> </ul>

<sup>48</sup>To be annexed to the Investment Plan.

<sup>49</sup>A separate template needs to be presented for each project and program preparation grant request listed in the Investment Plan.

<sup>50</sup>Including the preparation grant request.

## 25. Outputs:

Deliverable	Timeline
(a) Detailed work plan	December 2013
(b) Draft findings	May 2014
(c) Validation of results from studies and consultations	June 2014
(d) Final studies and consultations completed	August 2014

## 26. Budget (indicative):

Expenditures <sup>51</sup>	Amount (USD) - estimates
Consultants	200,000
Stakeholder Engagement Plan Implementation for preparation phase	165,000
Travel/transportation	20,000
Others (admin costs/operational costs)	5,000
Contingencies (max. 10%)	10,000
<b>Total Cost</b>	<b>400,000</b>
Other contributions:	
<ul style="list-style-type: none"><li>• Government</li><li>• MDB</li><li>• Private Sector</li><li>• Others (please specify)</li></ul>	To be defined To be defined To be defined

## 27. Timeframe (tentative):

Submission of pre-appraisal document for FIP Sub-Committee Approval: October 2014  
Expected Board/MDB Management<sup>52</sup> approval date: February 2015

## 28. Other Partners involved in project design and implementation<sup>53</sup>:

Regional Government of Ucayali and other local actors. Indigenous People representatives, with particular reference to AIDSESEP and CONAP as members of the Interministerial committee.

## 29. If applicable, explanation for why the grant is MDB executed:

## 30. Implementation Arrangements (incl. procurement of goods and services):

<sup>51</sup>These expenditure categories may be adjusted during project preparation according to emerging needs.

<sup>52</sup>In some cases activities will not require MDB Board approval

<sup>53</sup>Other local, national and international partners expected to be involved in design and implementation of the project.

**TEMPLATE FOR PROJECT/PROGRAM PREPARATION GRANT REQUEST<sup>54</sup>**

project 3			
<b>FOREST INVESTMENT PROGRAM</b> Project/Program Preparation Grant Request <sup>55</sup>			
<b>31. Country/Region:</b>	Peru- Latin America	<b>32. CIP Project ID#:</b>	(Trustee will assign ID)
<b>33. Project Title:</b>	Project 3: Integrated landscape management along the main route between Puerto Maldonado and Iñapari and in the Amaraeri Communal Reserve and beneficiary communities in the Region of Madre de Dios		
<b>34. Tentative FIP Funding Request (in USDmillion total) for Project<sup>56</sup> at the time of Investment Plan submission (concept stage):</b>	Grant: 5.67M	Loan: 6.7M	
<b>35. Preparation Grant Request (in USD):</b>	0.37	MDB:IDB	
<b>36. National Project Focal Point</b>	Ministry of Environment, Peru		
<b>37. National Executing Agency (project/program):</b>	Ministry of Environment, Peru		
<b>38. MDB FIP Focal Point and Project/ Program Task Team Leader (TTL):</b>	Headquarters-FIP Focal Point: Gloria Visconti IDB gloriav@iadb.org	TTL: Juan Chang IDB jchang@iadb.org	
<b>39. Description of activities covered by the preparatio grant:</b>	<p>The Government of Peru is requesting a project preparation grant for Project 3 to support<sup>57</sup>:</p> <ul style="list-style-type: none"> <li>- Studies to define costs, components , activities, chronogram and execution mechanism of the project</li> <li>- Studies related to the definition of a monitoring and evaluation system to calculate GHG reductions.</li> <li>- Studies to define a baseline to calculate the impact on poverty reduction for indigenous and local people that will be affected by the project in the area of Puerto Maldonado-Iñapari and Reserva Comunal Amaraeri, region Madre de Dios. It will include an ad hoc analysis to estimate the impact on gender.</li> <li>- Implementation of year one (preparation phase) of the Stakeholders Engagement Plan (PIA). This includes, workshops and capacity building activities in in the region Madre de Dios.</li> </ul>		

<sup>54</sup>To be annexed to the Investment Plan.

<sup>55</sup>A separate template needs to be presented for each project and program preparation grant request listed in the Investment Plan.

<sup>56</sup>Including the preparation grant request.

<sup>57</sup> All the studies and activities developed will be conducted in synergy with those carried out for the other projects.

#### 40. Outputs:

Deliverable	Timeline
(i) Detailed work plan	December 2013
(j) Draft findings	May 2014
(k) Validation of results from studies and consultations	June 2014
(l) Final studies and consultations completed	August 2014

#### 41. Budget (indicative):

Expenditures <sup>58</sup>	Amount (USD) - estimates
Consultants	180,000
Stakeholder Engagement Plan Implementation for preparation phase (consultation, workshops and capacity building activities)	160,000
Travel/transportation	15,000
Others (admin costs/operational costs)	5,000
Contingencies (max. 10%)	10,000
<b>Total Cost</b>	<b>370,000</b>
Other contributions:	
<ul style="list-style-type: none"><li>• Government</li><li>• MDB</li><li>• Private Sector</li><li>• Others (please specify)</li></ul>	To be defined To be defined To be defined

#### 42. Timeframe (tentative):

Submission of pre-appraisal document for FIP Sub-Committee Approval: October 2014  
Expected Board/MDB Management<sup>59</sup> approval date: January 2015

#### 43. Other Partners involved in project design and implementation<sup>60</sup> :

Regional Government of Madre de Dios and different local stakeholders in the area identified by the Project. Indigenous People representatives, with particular reference to AIDSESEP and CONAP as members of the Interministerial Committee.

#### 44. If applicable, explanation for why the grant is MDB executed:

#### 45. Implementation Arrangements (incl. procurement of goods and services):

<sup>58</sup>These expenditure categories may be adjusted during project preparation according to emerging needs.

<sup>59</sup>In some cases activities will not require MDB Board approval

<sup>60</sup>Other local, national and international partners expected to be involved in design and implementation of the project.

**TEMPLATE FOR PROJECT/PROGRAM PREPARATION GRANT REQUEST<sup>61</sup>**

project 4			
<b>FOREST INVESTMENT PROGRAM</b> Project/Program Preparation Grant Request <sup>62</sup>			
<b>46. Country/Region:</b>	Peru- Latin America	<b>47. CIP Project ID#:</b>	(Trustee will assign ID)
<b>48. Project Title:</b>	Project 4: Strengthening of national forest governance and innovation		
<b>49. Tentative FIP Funding Request (in USDmillion total) for Project<sup>63</sup> at the time of Investment Plan submission (concept stage):</b>	Grant: 6.76M	Loan: 5.7M	
<b>50. Preparation Grant Request (in USD):</b>	0.36	MDB:IDB	
<b>51. National Project Focal Point:</b>	Ministry of Environment, Peru		
<b>52. National Executing Agency (project/program):</b>	Ministry of Environment, Peru		
<b>53. MDB FIP Focal Point and Project/Program Task Team Leader (TTL):</b>	Headquarters-FIP Focal Point: Gloria Visconti IDB gloriav@iadb.org	TTL: Jaime Fernandez-Baca IDB jaimefer@iadb.org	
<b>54. Description of activities covered by the preparation grant:</b>	<p>The Government of Peru is requesting a project preparation grant for Project 4 to support<sup>64</sup>:</p> <ul style="list-style-type: none"> <li>- Studies to define costs, components , activities, chronogram and execution mechanism of the project</li> <li>- Workshops at national level, according to year 1 (preparation phase) of the Stakeholders Engagement Plan (PIA).</li> <li>- Capacity building and strengthen for government staff and other partners in charge of project preparation</li> <li>- Studies for the definition of national baselines in terms of GHG reduction and other co-benefits.</li> </ul>		

<sup>61</sup>To be annexed to the Investment Plan.

<sup>62</sup>A separate template needs to be presented for each project and program preparation grant request listed in the Investment Plan.

<sup>63</sup>Including the preparation grant request.

<sup>64</sup>All the studies and activities developed will be conducted in synergy with those carried out for the other projects.



## 55. Outputs:

Deliverable	Timeline
(m) Detailed work plan	December 2013
(n) Draft findings	May 2014
(o) Validation of results from studies and consultations	June 2014
(p) Final studies and consultations completed	August 2014

## 56. Budget (indicative):

Expenditures <sup>65</sup>	Amount (USD) - estimates
Consultants	170,000
Stakeholder Engagement Plan Implementation for preparation phase (consultation, workshops and capacity building activities)	160,000
Travel/transportation	10,000
Others (admin costs/operational costs)	10,000
Contingencies (max. 10%)	10,000
<b>Total Cost</b>	<b>360,000</b>
Other contributions:	
<ul style="list-style-type: none"><li>• Government</li><li>• MDB</li><li>• Private Sector</li><li>• Others (please specify)</li></ul>	To be defined To be defined To be defined

## 57. Timeframe (tentative):

Submission of pre-appraisal document for FIP Sub-Committee Approval: October 2014  
Expected Board/MDB Management<sup>66</sup> approval date: January 2015

## 58. Other Partners involved in project design and implementation<sup>67</sup> :

Relevant stakeholders and Indigenous People representatives, with particular reference to AIDSESP and CONAP as members of the Interministerial committee.

## 59. If applicable, explanation for why the grant is MDB executed:

## 60. Implementation Arrangements (incl. procurement of goods and services): To be defined

<sup>65</sup>These expenditure categories may be adjusted during project preparation according to emerging needs.

<sup>66</sup>In some cases activities will not require MDB Board approval

<sup>67</sup>Other local, national and international partners expected to be involved in design and implementation of the project.