

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERÚ

MITIGATING DEFORESTATION IN BRAZIL NUT CONCESSIONS IN MADRE DE DIOS, PERU

(PE-T1317)

TECHNICAL COOPERATION DOCUMENT

The project team is comprised by: Jaime Fernández-Baca (CCS/CPE), team leader; Juan Chang (INE/CCS); Sandra Enriquez (INE/CCS); Javier Bedoya (LEG/SGO); Ariel Rodríguez (FMP/CPE); Fiorella Ormeño (CPE/CPE); Juan Carlos Gómez (INE/CCS).

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Technical Cooperation Document

I. Basic Information

▪ Country/Region:	Peru
▪ TC Name:	Mitigating Deforestation in Brazil Nut Concessions in Madre de Dios, Peru
▪ TC Number:	PE-T1317
▪ Team Leader/Members:	Jaime Fernández-Baca (CCS/CPE), team leader; Juan Chang (INE/CCS), co-leader; Sandra Enriquez (INE/CCS); Javier Bedoya (LEG/SGO); Ariel Rodríguez (FMP/CPE); Juan Gómez (INE/CCS); Fiorella Ormeño (CPE)
▪ Taxonomy:	Client Support
▪ Beneficiary:	The Republic of Peru
▪ Executing Agency and contact name:	PROFONANPE, Alberto Paniagua
▪ Donors providing funding:	IADB/Global Environment Facility Fund (FMM)
▪ IDB Funding Requested:	US\$1,575,800
▪ Local counterpart funding, if any:	US\$3,000,000
▪ Disbursement period:	Execution: 48 months; Disbursement: 54 months.
▪ Required start date:	July 2014
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	INE/CCS
▪ Unit of Disbursement Responsibility:	Country Office Peru - CPE
▪ TC Included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ GCI-9 Sector Priority:	Protect the environment, respond to climate change, and promote renewable energies and food security

II. Objectives and Justification

2.1 The Madre de Dios Region in Peru is recognized as one of the global epicenters of biodiversity. This region has the largest extension of Brazil nut (*Bertholletia excelsa*) concessions of Peru, which are located in the Tahuamanu and Tambopata provinces of the Madre de Dios Region. Over 1,000 non-timber¹ concessions for Brazil nut harvesting have been granted by the Government of Peru in these provinces, covering a surface of approximately one million hectares (Nature Services Peru, 2013). Non-timber concessions have significantly smaller areas than timber concessions (1,000 vs. 40,000 ha), and their use is much less intensive in terms of capital. However, the Brazil nut industry generates about two thirds of the annual income for 20,000 to 30,000 people involved in the collection, processing, and marketing of this product (Flores 2002; Campos 2006; Nature Services Peru, 2013). Besides its economic importance, Brazil nut harvesting is a mechanism that plays an essential role in forest preservation and carbon stocks, since its production depends on the integrity of the

¹ Non-timber forest products are commodities obtained from forests which do not require harvesting logging trees.

forest ecosystems that harbor the Brazil nut trees. In fact, it is one of the few extractive systems in the world that depends on undisturbed primary forests.

- 2.2 Over the years, Brazil nut concessions have increasingly been subject to deforestation and forest degradation processes. While timber concessions have generally proven to be effective barriers to deforestation, this has not been the case for non-timber concessions; in fact, the annual rate of deforestation in Brazil nut concessions nearly doubles the average deforestation occurring in timber concessions. By 2010, around 30,000 hectares of Brazil nut concessions had been deforested, an area that represents 2.7% of the total zone assigned for concessions. Based on the deforestation data for the 2000-2005 time series, projections for 2011-2050 yield an average deforestation rate of 2,625 ha per year, or 105,000 ha of concessions deforested by 2050, generating greenhouse gas (GHG) emissions of at least 38.5 million tons of CO₂e. However, this Business as Usual (BAU) scenario could be considerably higher if one takes into account that the rate of deforestation doubled in the period 2008-2010.
- 2.3 Brazil nut concessions are being subject to growing pressure from small-scale agriculture, which most of the time results in illegal occupations of the concession zones. In addition, concessions suffer from illegal extraction of wood by both invaders and the concessionaries themselves. This situation is exacerbated by a weak forest and environmental governance, an incomplete process of decentralization of functions and powers from the central to the local governments, as well as the pending implementation of new sectoral institutions, such as the National Forest Service and the Environmental Regional Authority. In addition to governance issues, current management of Brazil nut concessions operate with very low levels of land productivity –profit can fluctuate between US\$10 and US\$20/ha/year, and low competitiveness compared to other land uses incompatible with forests, such as farming, ranching and illegal logging.
- 2.4 The objective of this technical cooperation is the implementation of a forest preservation and sustainable management model for Brazil nut concessions in Madre de Dios, which contributes to the reduction of GHG emissions caused by their deforestation and degradation. The model is based on preservation agreements with the concession holders, who in turn will participate in a system of incentives. The model is supported by a monitoring, surveillance and control system of forest cover in the concessions, with concession holders having an active participation in close coordination with local and central governments. The operation will test this model in an area of about 100,000 ha where nearly 1,000 concessions are located. If successful, the model could be replicated in other non-timber concessions in Madre de Dios and other regions of the country with different sources of cooperation, including the Forest Investment Program (PE-T1287), which is due to start in 2015.
- 2.5 This technical cooperation is framed within the climate change lending targets established in the Report on the GCI-9 (AB-2764), as it supports environmental sustainability initiatives through the improvement of the country's capacity to address issues related to the reduction of deforestation and forest degradation. The operation is consistent with the objectives of the IDB Country Strategy with Peru (2012-2016) (GN-2668), and the Sector Framework Document on Agriculture and Natural Resources Management (GN-2709-2),

as it covers subjects on governance improvement, policy frameworks and property rights of natural resources.

III. Description of Activities/Components and Budget

- 3.1 **Component 1: Conservation Agreements (US\$765,500).** The objective is to establish conservation agreements with Brazil nut concession holders, to set commitments that will help achieve specific conservation goals of forest carbon stock in concession areas, in exchange for their participation in a system of financial and technical incentives. Such incentives will facilitate concessionaries' access to credit at preferential interest rates, in order to improve their liquidity. Access to credit is a highly valued asset by concession holders, and the microcredit market in the region is fairly well developed. Financial incentives, along with the technical assistance included in the conservation agreements, will enable the implementation of actions aimed at improving the value chain of the seed, as well as increasing the income generated by its production and trade. Such incentive scheme may also support other sustainable uses of the forest, according to new alternatives this project will help identify and assess.
- 3.2 The project will finance the following activities: (i) delimitation of the project area based on viability criteria; (ii) characterization of current ecological, economic and social conditions and the degree of deforestation in the project area; (iii) diagnostic of the current state of management and profitability of Brazil nut concessions, as well as identification of different alternatives for land use planning and sustainable uses compatible with forest conservation –the latter assessment will be done at the landscape level, for instance on the area comprised by an association of concessionaries; (iv) design of a scheme of financial incentives for Brazil nut concessions, including access to credits from the financial system linked to purchase orders, among other mechanisms, conditional on results of conservation of forest carbon stock; (v) selection of concession holders or associations that will participate in the conservation agreements; (vi) negotiation and signing of conservation agreements; (vii) implementation of the incentive mechanism, including a system to audit compliance with the conservation goals; and (viii) technical assistance –for concessionaries or associations that ratified conservation agreements, including efficient nut gathering systems, improved sanitary conditions for processing and storage of nuts, improved collection systems and strengthening of managerial and business skills, among other key areas of assistance.
- 3.3 **Component 2. Strengthening Organizations and Improvement of the Local Control System (US\$456,512).** Due to the large number of invasions and land superposition, Madre de Dios can be considered as a high conflict region. Concessions' invasions are difficult to detect and, as time passes, the difficulty of evicting an invasion increases. Invasions occur mostly in territories where owners are absent –in some cases concession holders spend long periods of time (over 6 months) outside their concessions. Moreover, government institutions face serious limitations to fulfill their role in providing governance and conflict resolution mechanisms.
- 3.4 Holders who suffer invasions to their concessions either go to the Environmental Prosecutor's Office, where there is a long waiting list, or to the Ecological Police or

the People's Advocacy (Defensoría del Pueblo), who usually sends them back to the Environmental Prosecutor's Office. Such office –in the Madre de Dios region, only has 3 public prosecutors and assistants, who deal with more than 2,500 pending cases. Therefore, there is a tremendous shortage in the number public prosecutors needed to process this judicial load, not to mention to the lack of logistical resources they require to do their job. These prosecution services could be provided through mechanisms that share responsibilities between the national and regional government institutions, and the local groups.

- 3.5 The objective of this component is to strengthen the concessionaries' organizations and provide training to its members in subjects such as surveillance, control and inspection of forests, use of specialized tools and development of skills to work in conjunction with official bodies of surveillance and control.
- 3.6 The activities to be financed include: (i) technical assistance to strengthen associations of concession holders to create a surveillance network that aims at the detection, verification and control of the use and integrity of the concession areas; (ii) design of a local surveillance and control system of concessions linked to the Regional Environmental Authority of Madre de Dios. Existing experiences with local forest surveillance groups will be incorporated in the design of the surveillance and control system. This local system will be linked to national and regional surveillance and control systems, such as the early warning component of the National Forest Monitoring System, which will be supported by the Forest Investment Program and Forest Carbon Partnership Facility; (iii) implementation of a training program for concessionaries' associations and government technical staff about the use of tools for monitoring and verification; (iv) implementation of the local surveillance and control system; and (v) formulation, in conjunction with the Environmental Prosecution Office, of a system to expedite interventions in the case of invasions, including the possibility of hiring private attorneys to rush complaints and provide legal advice to concessionaries. This system will be based on a similar one operated in Madre de Dios by the NGO Sociedad Peruana de Derecho Ambiental (SPDA), which has been effective at reducing the number of invasions.
- 3.7 **Component 3. Monitoring, Evaluation and Dissemination of Results (US\$275,000).** The objective of this component is to monitor and assess the performance of the project interventions, as well as systematize and communicate the experiences and lessons learned during project implementation. This information will assist in the replication of the experience elsewhere, including areas in Peru and other countries (e.g. Brazil and Bolivia) where non-timber production forests exist. Activities to be financed by this component include: (i) performing project implementation reviews, quarterly and annual review reports, and a mid-term and final evaluation; (ii) documentation and systematization of results and lessons learned during project implementation; (iii) design and implementation of a communications strategy to disseminate results and lessons learned, and exchange experiences with similar projects both in Peru and other parts of the world; and (iv) performing annual financial audits of the project.

Indicative Results Matrix

Expected Results	Indicator	Baseline	Goal	Source of verification
Component 1. Conservation agreements				
Signed conservation agreements with associations of Brazil nut concessionaries.	Number of signed conservation agreements	0	5	Associations, notarial contracts.
Improved forest management practices in Brazil nut forests.	Income per ha/year	US\$10	TBD	Financial reports from Brazil nut associations.
Implemented incentive mechanisms.	Number of loans granted.	0	10	Reports from financial institution
Component 2. Strengthening organizations and improving the local control system				
Established local control and surveillance systems.	Area of concessions with control and surveillance systems implemented.	0	100,000 ha	OSINFOR, ARA, MINAM, MINAGRI
Component 3. Monitoring and evaluation				
Project results and lessons learned used for replication in similar areas.	Number of events for dissemination of results and lessons learned from project implementation	0	5	Workshop proceedings

IV. Cost and Financing

- 4.1 The total estimated cost of this TC is US\$1,575,800, which will be financed with resources from the Global Environment Facility. The Blue Moon Fund² will provide counterpart funds for US\$2,000,000 in cash. Additionally, it is estimated that concession holders will provide an in kind contribution estimated at US\$1,000,000 for their involvement in the incentives mechanism and local control system during the next 3 years. This technical cooperation will be executed over a 48 month period.

Indicative Budget (US\$)

Component/Description	BID/GEF	Local Counterpart		Total
		Blue Moon	Concession Holders³	
Comp. 1. Conservation agreements	765,500	1,800,000	500,000	3,065,500
Comp. 2. Strengthening organizations and improving the local control system	456,512	0	500,000	956,512
Comp. 3. Monitoring and evaluation	275,000	0	0	275,000
Administrative support to the Executing Agency ⁴	78,788	200,000	0	278,788
Total	1,575,800	2,000,000	1,000,000	4,575,800

² The Blue Moon Fund was established in April 2002 by Diane Edgerton and Patricia Jones, who share over 70 years of experience in philanthropy for the preservation of a sustainable quality of life. The Fund emerged from the restructuring of the W. Alton Jones Foundation. The Blue moon fund is continuing with a strategic, initiative-based philanthropy that helps improve the human relationship to the natural world. It characterizes by its holistic approach, its risk taking, and its commitment to cutting-edge ideas in both programs and investments.

³ In-kind support consists of time and labor provided by concession holders to implement activities in Component 1 and Component 2.

⁴ Indirect expenses of the Fund for the Promotion of Protected Natural Areas of Peru (PROFONANPE) for project administration.

V. Executing Agency and Execution Structure

- 5.1 The Fund for the Promotion of Natural Areas of Peru (PROFONANPE) will be the Executing Agency for the operation. PROFONANPE is a non-profit private institution which purpose is to provide stable and long-term financing for the preservation, and management of the Peruvian protected areas and their zones of influence. The institution has channeled over US\$100 million to approximately 60 protected areas, including national, regional and private protected areas, through the administration of nearly 40 programs and projects. PROFONANPE has consolidated as one of the most important financial tools for the conservation of biological diversity in Peru. These results are closely linked to initiatives that started as pilot programs that seek to catalyze innovation in the management of protected areas.
- 5.2 PROFONANPE will establish cooperation agreements with national and regional institutions to coordinate project implementation tasks. The agreements are expected to be signed between PROFONANPE and: (i) the Regional Government of Madre de Dios; (ii) institutions currently implementing projects in the area –such as Bosques Amazónicos; and (iii) the Federation of Producers of Brazilian Nut in Madre de Dios. Nationally, PROFONANPE will collaborate with the: (i) Ministry of Environment; (ii) Supervision Bureau of Forest and Fauna Resources (OSINFOR); (iii) National Service of Protected Areas; and (iv) Ministry of Agriculture and Irrigation (MINAGRI) in the use the National Forest Monitoring System (which is expected to be implemented by the end of 2014) to implement the National Forest Preservation Program (PNCBCC). The Ministry of Environment and MINAGRI, jointly with the Regional Government of Madre de Dios and the associations of concession holders, will support local monitoring and control processes. A ratified agreement between PROFONANPE and the Blue Moon Fund will be a condition prior to the first disbursement.
- 5.3 A project team will be established to supervise and support the overall implementation of the program. Such team will include a coordinator, an administrative assistant and a procurement specialist. The project team will be established in the city of Puerto Maldonado, in Madre de Dios. The hiring of the technical coordinator is a condition prior to the first disbursement. During the preparation of the Project Implementation Plan, a series of meetings will take place with the stakeholders in order to explain the project's scope and request feedback and expressions of interest. Once participants have been identified, an Advisory Committee will be created, which shall include a representative from each of the following entities: the Ministry of Environment, MINAGRI, the Regional Government of Madre de Dios, the local governments in the area of intervention and two representatives of concession holders.
- 5.4 PROFONANPE will be responsible for the financial administration and procurement processes undertaken with funds from the operation, and will follow applicable IDB policies (GN-2349-9 and GN-2350-9). A non-objection letter has been requested to the Peruvian Agency of International Cooperation (APCI).

VI. Major Issues

- 6.1 Some risks related to the execution of this technical cooperation have been identified. One of them is referred to the increased migration to the region and the demand for land. To mitigate this risk the project will support the development of a monitoring and control system that will detect invasions and facilitate quick legal actions. The project will also improve the organization and communication among nut gatherers by promoting self-organization and information sharing within the members of the associations, as well as the use of modern technologies, such as low-cost tablets in order to facilitate cooperation and coordination for surveillance activities.
- 6.2 Additional risks that could affect the success of this operation have also been identified. One is the potential lack of involvement of public authorities in the project. To mitigate this risk the project will have an Advisory Committee comprised by representatives of the central and regional governments, as mentioned in ¶5.3. On the other hand, the current conflict –particularly related to illegal mining activities in the Madre de Dios region, also represents a risk. To mitigate it, the project will select, among all Brazil Nut concessions, those areas of intervention that show low potential for conflicts. Finally, there is the risk that the co-financing commitments from the Blue Moon Fund are not met. To mitigate this risk, a contract between PROFONANPE and Blue Moon will be signed at the beginning of the project, stating the total funds and disbursement schedule.

VII. Exceptions to Bank policy

- 7.1 This TC does not involve any exceptions to the Bank’s policies.

VIII. Environmental and Social Strategy

- 8.1 This project will mitigate the social and environmental impacts caused by deforestation and forest degradation in Brazil nut concessions. However, improvements in the current production systems or new activities designed for the concessions could generate social and environmental impacts if an adequate assessment of mitigation measures is not put in place beforehand. Therefore, according to the Environment and Safeguards Compliance Policy of the Bank (OP-703) this operation has been classified as Category “B” (see the [Safeguard Policy Filter](#) and the [Safeguard Screening Form](#)). The operation has a budget to undertake the assessments and implement mitigation measures if needed, as part of the social and environmental safeguards.

- **Annex:**

[Procurement Plan](#)

- **Electronic Links:**

[Letter of Request](#)

[Terms of Reference](#)

**MITIGATING DEFORESTATION IN BRAZIL NUT CONCESSIONS IN MADRE DE DIOS,
PERU**

PE-T1317

CERTIFICATION

The Grants and Cofinancing Management Unit (ORP/GCM) certifies receipt of the GEF Approval Letter dated on June 13, 2014 for project Mitigating Deforestation in Brazil Nut Concessions in Madre de Dios, Peru for US\$1,575,800, chargeable against the GEF Trust Fund (GEFTF). This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source.

[Original Signed]

06/19/2014

Sonia M. Rivera
Chief

Date

Grants and Cofinancing Management Unit
ORP/GCM

PROCUREMENT PLAN FOR NON-REIMBURSABLE TECHNICAL COOPERATIONS								
Country: Peru		Executing Agency: Fund for the Promotion of Natural Areas of Peru (PROFONANPE)					Sector: Public	
Project Number: PE-T1317		Project Title: Mitigating Deforestation in Brazil Nut Concessions in Madre de Dios, Peru.						
Period covered by the plan: 48 months								
Due date for the revision of acquisitions ex-post:			Goods and Services (US\$): 262,712			Consultancies (US\$): 1,313,088		
Description (1)	Estimated Cost (US\$)	Acquisition Method (2)	Acquisition Review (ex-ante o ex-post) (3)	Source of funds and Percentage		Acquisition date or contract start date	Technical review by the T.L.	Comments
				IDB/GEF %	Other %			
Administrative	78,788							
PROFONANPE	78,788	DA	Ex post	100		6/26/2014	Complex	
Component 1. Conservation Agreements.	765,500							
Principal Technical Advisor	265,000	IICQ	Ex post	100		6/26/2014	Critical	
Consultancy for the delimitation of the project's area of intervention, its diagnostic and identification of zoning alternatives.	275,000	CQS	Ex post	100		6/26/2014	Critical	
Consultancy to design the financial incentives and technical assistance systems.	183,900	CQS	Ex post	100		8/26/2014	Critical	
Operational expenses including travel, workshops, local mobility, gas, communication, etc.	41,600	PC	Ex post	100		1/7/2015	Complex	
Component 2. Strengthening Organizations and Improvement of the Local Control System.	456,512							
Consultancy to strengthen partnerships and design a local network for monitoring and control.	100,000	CQS	Ex post	100		8/4/2014	Critical	
Technical assistance for the implementation of the monitoring system, including training.	80,000	CQS	Ex post	100		8/4/2014	Critical	
Consultancy for the formulation and implementation of the control system.	75,400	CQS	Ex post	100		11/4/2014	Critical	
Field teams	14,000	PC	Ex post	100		11/4/2014	Complex	
Transportation expenses for supervision.	36,000	PC	Ex post	100		11/4/2014	Complex	

Description (1)	Estimated Cost (US\$)	Acquisition Method (2)	Acquisition Review (ex-ante or ex-post) (3)	Source of funds and Percentage		Acquisition date or contract start date	Technical review by the T.L.	Comments
Office rental and maintenance.	84,512	PC	Ex post	100		6/1/2014	Complex	
Computers and office supplies	25,000	PC	Ex post	100		6/16/2014	Complex	
Operational expenses including travel, workshops, local mobility, gas, communication, etc.	41,600	PC	Ex post	100		1/15/2015	Complex	
Component 3. Monitoring, Evaluation and Dissemination of Results.	275,000							
Mid-term Evaluation	15,000	IICQ	Ex post	100		5/1/2016	Complex	
Final Evaluation	15,000	IICQ	Ex post	100		5/1/2017	Complex	
Dissemination expenses for relevant publications and communications.	20,000	DA	Ex post	100		2/1/2017	Complex	
Audit	60,000	QCBS	Ex post	100		2/1/2018	Complex	
Monitoring and Evaluation Specialist	165,000	IICQ	Ex post	100		7/1/2014	Complex	
Total	1,575,800	Prepared by: Jaime Fernandez-Baca			Date: May 14, 2014			

(1) Grouping together of similar procurement is recommended, such as computer hardware, publications, travel, etc. If there are a number of similar individual contracts to be executed at different times, they can be grouped together under a single heading, with an explanation in the comments column indicating the average individual amount and the period during which the contract would be executed. For example: an export promotion project that includes travel to participate in fairs would have an item called "airfare for fairs", an estimated total value of US\$5,000, and an explanation in the Comments column: "This is for approximately four different airfares to participate in fairs in the region in years X and X1".

(2) Goods and works: **CB:** Competitive bidding; **PC:** Price comparison; **DC:** Direct contracting.

(2) Consulting firms: **CQS:** Selection Based on the Consultants' Qualifications; **QCBS:** Quality and cost-based selection; **LCS:** Least Cost Selection; **FBS:** Selection under a Fixed Budget; **SSS:** Single Source Selection; **QBS:** Quality Based selection.

(2) Individual consultants: **IICQ:** International Individual Consultant Selection Based on Qualifications; **SSS:** Single Source Selection.

(3) Ex-ante/ex-post review: In general, depending on the institutional capacity and level of risk associated with the procurement, ex-post review is the standard modality. Ex-ante review can be specified for critical or complex process.

(4) Technical review: The PTL will use this column to define the procurement he/she considers "critical" or "complex", which require ex ante review of the terms of reference, technical specifications, reports, outputs, or other items.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/14

Peru. ATN/___ - ___-PE. Nonreimbursable Technical Cooperation of the Global Environment Facility (GEF) for Mitigating Deforestation in Brazil Nut Concessions in Madre de Dios, Peru

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized in the name and on behalf of the Bank, as Administrator of the IADB/GEF Fund, to enter into such agreement or agreements as may be necessary with the Fondo de Promoción de las Áreas Naturales Protegidas del Perú (PROFONANPE), and to adopt such other measures as may be pertinent for the execution of the project proposal contained in document AT-_____ with respect to a nonreimbursable technical cooperation chargeable to the resources of the Global Environment Facility (GEF) for Mitigating Deforestation in Brazil Nut Concessions in Madre de Dios, Peru.

2. That up to the amount of US\$1,575,800 is authorized for the purposes of this resolution chargeable to the resources of the IADB/GEF Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on _____ 2014)