



# Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

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**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Republic of Peru	LATIN AMERICA AND CARIBBEAN	P160122	
Project Name	Republic of Peru Emission Reduction Program		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Approval Date
ENR	CN-Carbon Finance	October 2019	December 15, 2019
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance	Ministry of the Environment (MINAM)		

**Proposed Development Objective(s)**

The objective of the proposed carbon finance transaction is to incentivize reduced deforestation and forest degradation, and enhance forest carbon stocks (REDD+) in the San Martin and Ucayali regions of Peru through payment of verified emission reductions (ER) and to ensure that paid amounts are distributed according to an agreed benefit sharing plan.

**Financing (in USD Million)**

**Amount**

**Total Project Cost**

**32.2**

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

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## A. Country Context

1. Over the past decade, Peru has made great strides in its development. These achievements include significant growth, low inflation, macroeconomic stability, reduction of external debt and poverty, and significant progress in social and development indicators. Prudent macroeconomic policies and a favorable external environment enabled an average annual growth rate of close to 6 percent during the last ten years and 4.7 percent over the last two decades. This economic performance has allowed income per capita to double over the last ten years. Between 2007 and 2017, moderate poverty fell by more than half, from 42.4 percent to 21.7 percent, while extreme poverty fell from 11.2 percent to 3.8 percent (INEI, 2018). In the same period, the real income per capita of the poorest 40 percent grew over 35.9 percent, much faster than the 19.3 percent national average increase. Despite these gains, social indicators for Amazonian indigenous peoples remain the lowest in the country, with high levels of chronic malnutrition, limited access to education and primary health care, and disproportionate levels of maternal and infant mortality. In general, some of the most vulnerable populations in Peru are those depending on forests for their livelihoods, including indigenous populations, women, small farmers, and migrants.
2. Peru is the third largest country in South America and is divided into three large geographical regions: the coastal plains, the Andes, and the Amazon, which alone covers nearly 61 percent of the country. Largely due to the flora and fauna found in the Amazon region, Peru is considered one of the most megadiverse countries in the world. Peru's extensive forests, which place the country ninth in the world in terms of forest cover and second among the Amazonian countries in terms of forest area, are threatened by deforestation and forest degradation resulting mainly from agricultural expansion, land speculation/trafficking, road infrastructure development, legal or illegal logging, as well as illegal activities such as mining and production of illicit crops. Deforestation rates have increased over the last decade with the average annual deforestation rate for 2008-2017 (147,198 ha/yr) more than 56 percent higher than the rate for 2000-2007 (94,021 ha/yr). Most deforestation (40% during 2008-2017) occurred on lands without clearly defined tenure status.
3. The majority of Peru's forest area (95%) lies in the Amazon region, which contains 68 million hectares of still well-conserved tropical forests. Increasing pressure on forests and forest-related resources over the last few decades has resulted in growing social conflicts, as forests are often a primary source of revenue and income for forest dwellers who are experiencing growing competition for forest resources and lands from agriculture and grazing. In fact, land use change for crop expansion, particularly in small- and medium-sized farm holdings, is the primary cause of deforestation in the Peruvian Amazon. The regions with the greatest cumulative forest cover loss in the Peruvian Amazon from 2005 to 2017 were San Martin (336,759 hectares), Loreto (343,226 hectares), and Ucayali (312,733 hectares). In these three regions, deforestation has been mainly caused by agricultural expansion (primarily for coffee, cocoa, and oil palm production) and by land speculation.
4. The exploitation of other non-renewable resources also found in the Amazon – mainly gold, oil and gas – that contribute to Peru's national GDP, are another source of deforestation. These resources involve the use of extractive practices that often encroach dramatically on forest ecosystems. For example, small-scale gold mining has had a significant impact on deforestation in Peru's southern Amazon. This situation is compounded by road construction in the region, as well as the limited capacity of communities and private industries to conduct sustainable forestry practices, and national and local government agencies to enforce regulations and promote more renewable forest uses. In addition, indirect causes of deforestation include increasing migration and population growth in the Amazon, as well as a lack of land use planning.

## B. Sectoral and Institutional Context

5. Although Peru's forests are extensive, development of the forestry sector falls far short of its potential in terms of surface area. Peru is in fact a net importer of forest products, given low levels of industrialization and value-added



processing. The area under commercial plantation is still very low, and less than half of the exploitable forest area is under operating concession. The value of wood and wood products in 2017 (\$800 million, according to Luxbacher, 2017<sup>1</sup>) contributed to less than 0.5 percent to the GNP or the total value of exports, despite the fact that forests occupy about 55 percent of the national territory. Political attention to forests has been lacking, resulting in inadequate forestry budgets, deforestation and emissions, and the conversion of forests into focal points of poverty, illegality, and social conflict.

6. The undervaluation of this resource is resulting in accelerating deforestation and forest degradation, which are responsible for a large share of GHG emissions. Deforestation in the Amazon, estimated at 125,301 ha/yr for the period 2000-2017, but 147,198 ha/yr during 2008-2017, is responsible for almost all of national deforestation and 51 percent of the country's total GHG emissions.<sup>2</sup> Under the business-as-usual scenario used in Peru's Nationally Determined Contribution (NDC) reported to the UNFCCC, national as well as Land Use, Land Use Change, and Forestry (LULUCF) sector emissions are estimated to increase by more than half between 2015 and 2030. At the same time, mitigation of 53.6 MtCO<sub>2</sub>e/y of emissions from the LULUCF sector is expected to contribute to two-thirds of Peru's expected emission reduction goal of 30 percent in 2030,<sup>3</sup> almost all of which will have to come from the Amazon.
7. Within this context, the ER Program focuses on two large political jurisdictions in the Peruvian Amazon, where deforestation has historically been greatest: the regions of San Martin and Ucayali<sup>4</sup> (see Annex 1). Together, both regions have a territory of 16.2 million hectares (5,125,300 hectares in San Martín and 11,041,000 hectares in Ucayali), equivalent to about 21 percent of the total area (77,535,300 hectares) of the Amazon, and contain about 12.7 million hectares (3,365,916 hectares in San Martin and 9,362,764 hectares in Ucayali) of Amazonian forests (a total of 68.6 million hectares in 2017). However, they are responsible for a disproportionately higher rate of deforestation (35 percent of deforestation in the Amazon between 2008 and 2017) than their area would suggest. By the end of 2017, accumulated deforestation in the accounting area contributed to 30 percent (2.31 million hectares) of deforestation in the Amazon (7.5 million hectares). San Martin was the region with the greatest deforestation in the country, with 1.43 million hectares of cumulative deforestation, while Ucayali was the third most deforested region, with 0.88 million hectares of cumulative deforestation. Forest loss in the two regions was greatest on lands with unassigned rights, accounting for about 47 percent of forest loss during the 2008-2017 period.<sup>5</sup>
8. The ER Program will contribute to Peru's national development priorities. The ER Program's emphasis on reducing deforestation in the Amazon will make it a major contributor to Peru's NDC goals, since the LULUCF and agricultural sectors contribute to the majority of Peru's GHG emissions. The ER Program is also consistent with and contributes to the implementation of the following national environmental policies, laws, and actions: (i) the National Agreement, integrating environmental policy into planning for sustainable development; (ii) the Bicentennial Plan (targets 3 – governance, 4 - economy, competitiveness and employment, and 6 - natural resources and environment) for the sustainable use and conservation of natural resources; (iii) the National Environment Policy,

<sup>1</sup> Luxbacher, K. 2017. Wood and Wood Product Trade in Peru Remains Strong. Global Agricultural Information Network GAIN Report. USDA Foreign Agriculture Service. Dec. 2017.

<sup>2</sup> Peru's nationally determined contributions (NDCs) reported to the UNFCCC (2015).

<sup>3</sup> MINAM (2015). <http://www.minam.gob.pe/wp-content/uploads/2015/06/contribucion-NDC21.pdf>

<sup>4</sup> A region is a political jurisdiction equivalent to a state or department. Regions are divided into provinces and provinces into districts.

<sup>5</sup> It is noteworthy that the two regions show opposing trends, as deforestation has tended to decrease in San Martin since 2010 while it has been increasing in Ucayali since 2007.



which links ecosystem conservation with livelihoods and sustainable development; (iv) the new Forestry and Wildlife and Climate Change laws; (v) the law of Sustainable Use of Natural Resources which promotes conservation of natural resources and the environment and their sustainable economic use; (vi) the law of Conservation and Sustainable Use of Biological Diversity which fosters the conservation of biodiversity and the just and equitable distribution of benefits resulting from its use; (vii) the National Environmental Action Plan, which aims at reducing the deforestation rate on 54 million hectares of primary forest, incorporating forests with undefined rights into the forestry classification system, and reducing the vulnerability to climate change; and (viii) the Law of Informed Prior Consultation (Law 29785), based on ILO Convention 169, which establishes the rights of indigenous peoples to be consulted regarding activities that affect their lands or natural resources.

9. The Program operationalizes the National Climate Change Strategy (ENCC) in the forest and land use change sector and is a major contributor to the implementation of the National Forest and Climate Change Strategy (ENBCC), which includes the national REDD+ Strategy. The ER Program and the ENBCC will thus help the country achieve greater consensus regarding the use of forests and climate change and their importance for development. At the regional level, the ENBCC and ER Program will contribute to the decentralization of forest and natural resource governance and will help operationalize the PDRCs (Regional Concerted Development Plans) and the protection-production-inclusion (PPI) development strategy of the Amazonian regional governments via the implementation of low emissions development practices, regional branding, and increasing competitiveness in emerging markets that incorporate and value elements of environmental sustainability.
10. Peru has made significant progress towards establishing an enabling environment for REDD+. Peru has put in place strong analytical and participatory processes to develop its ENBCC, with the aim of designing a set of mitigation and adaptation measures for the forest sector in line with the country's needs and international commitments. The ENBCC was developed by MINAM's National Program for Forest Conservation and Climate Change Mitigation, based on the results of a number of analytical studies funded by an FCPF Readiness grant. The ER Program represents an important mechanism and learning experience for implementing the Strategy over large areas of Peru's national forests in the Amazon. Implementation will test hypotheses related to causes and potential solutions of deforestation, the fine-tuning of management structures and intervention activities important for REDD+, including those related to enabling conditions, policies, institutional coordination, safeguards, benefit distribution, capacity strengthening, improvements in productivity, and market development; the identification of unforeseen gaps and needs; and in general, the improvement of the ENBCC design and future interventions.
11. The ER Program is also politically important within the context of the FCPF's Carbon Fund. Since Peru is the only Amazonian country that has submitted a proposal to the Fund, the experience of the program will be relevant to Amazonian conditions beyond Peru's borders.

### C. Higher Level Objectives to which the Project Contributes and relationship to CPS

12. The ER Program will contribute to the World Bank Group's (WBG) corporate goals of ending extreme poverty and boosting shared prosperity sustainably. The ER payments would contribute to improving the well-being of some of the most vulnerable rural households in Peru by providing a new source of financing to these households. The Government has initiated workshops and consultations to discuss and design a plan to promote ER activities within the cocoa, coffee, agroforestry, and forestry sectors that are part of the programs and projects of the ER-Program (see Annex 2). ER payments will be distributed in accordance with a Benefit Sharing Plan (BSP) that provides incentives to communities participating in the value chains of these sectors to invest in their human, financial and social capital, diversify their livelihood options, and pursue opportunities for further income generation. The BSP aims to strengthen the ER Program's sustainability through stakeholder access to incentives that result in continued reduction of deforestation, forest degradation, and forest-based emissions.



13. The ER Program is aligned with Peru’s FY17-21 Country Partnership Framework (CPF), Report No. 112299-PE, dated April 4, 2017, and in particular with Objective 8 on strengthening the management of natural resources under the Natural Resources and Climate Change Pillar (Pillar III). This Objective recognizes the need to decrease the annual rate of deforestation and forest degradation in the Amazon region, as well as the importance of land tenure and sustainable use of forests and biodiversity. The CPF acknowledges not only the costs of land and forest degradation, but also the importance of forests as an essential source of income and livelihood, as well as forests’ important role in mitigating and adapting to climate change. The ER Program is also aligned with the Bank’s Climate Change Action Plan and the Bank’s Forest Action Plan for FY16-20. The underlying activities that will generate ERs under the Program are fully consistent with the focus areas of the Bank’s Forest Action Plan, namely sustainable forest management and forest-smart interventions in other sectors. These focus areas aim to strengthen the foundations for positive forest outcomes, including climate change and resilience, rights and participation, and institutions and governance.

A. Description of ER Program’s Carbon Finance Transaction

14. The ER Program’s Carbon Finance Transaction has two components: (1) ER Verification – verification of and payment for measured and reported ERs generated by the Government’s ER Program; and (2) Benefit Sharing – distribution of the ER Payment Agreement (ERPA) payments according to a BSP.

15. Component (1): ER Verification. The objective of this component is to verify the ER Program’s performance in reducing emissions. The component provides results-based payments for reduced emissions from land use change. ERs are expected to result from implementation of the underlying activities of the ER Program (the activities described in the ER Program Document (ERPD) that are expected to ultimately generate ERs), which will support a combination of enabling conditions and sector and cross-sectoral activities, with a focus on forests. These activities are organized along four inter-related, strategic lines of action that respond in an integrated fashion to different conditions and drivers of deforestation and include: 1) Increasing conservation and the value of forests; 2) Increasing productivity, sustainability and competitiveness of climate friendly production systems; 3) Promoting investments and employment creation by green business; and 4) Improving institutional enabling conditions. A detailed description of the ER Program and its underlying activities is presented in Annex 2.

16. The basis for payments under the ERPA are verified ERs reported by the Program Entity (MINAM). In the draft ERPD that has been submitted by the Government to the FCPF, in advance of the Carbon Fund Participants meeting in July 2019, Peru has provided a detailed approach to measure emissions in the ER Program jurisdiction. This approach is consistent with the methodology for estimating baseline emissions and has been rigorously assessed by an independent TAP against the requirements stipulated in the Carbon Fund Methodological Framework. The same methodology will form the basis of future emissions monitoring. The Program Entity will submit periodic ER monitoring reports during the term of the ERPA, which will be independently verified. If deforestation/degradation is reduced across the entire ER Program area compared to baseline emissions, the verified volume of ERs, combined with the negotiated unit price agreed in the ERPA, will then translate into corresponding payments. As part of this transaction, ERs will be transferred from the Program Entity to the FCPF Carbon Fund via Peru’s national registry of verified emissions to a centralized carbon registry managed by the Climate Change Group.

17. Component (2): Benefit Sharing. The revenue from ER payments will be shared according to an agreed BSP, that is being designed in accordance with the criteria in the Carbon Fund Methodological Framework and in a manner that is acceptable to the World Bank. The BSP will be based on the principles described in the ERPD to be reviewed by Carbon Fund Participants, and describes benefit sharing arrangements, including the distribution mechanism, funds flow and rules of allocation of ERPA payments and benefits to agreed beneficiaries. In the development of benefit sharing arrangements, the Government will consider the most effective way to reach the diverse group of stakeholders that are likely to contribute most directly to reducing emissions, ways to incentivize these



stakeholders, and recognition of historical and continued sustainable land use. Given these considerations and stakeholder consultations to date, indigenous peoples and small and medium producers have been prioritized as beneficiaries. Other beneficiaries will include regional government institutions, private sector enterprises and NGOs that operate in the ER Program area and contribute to the program objectives through public-private or public-private-community alliances promoting low-emissions development. Benefits will take the form of project or activity funding for investments in sustainable, low emission development, but are not expected to involve direct cash payments to beneficiaries. The modalities for distributing ER payments are still under consideration and are expected to draw from existing mechanisms in San Martin and Ucayali, such as Development Funds (FONDESAM), public investment projects, and the dedicated grant mechanism for indigenous peoples (DGM-Saweto), among others.

18. At the time of ERPA signing, at least an advanced draft BSP needs to be submitted by the Government, reviewed by the Bank through a Quality Enhancement Review (QER), and publicly disclosed (once acceptable to the Bank). A final BSP is required no later than prior to the first ERPA payment. As per the ERPA General Conditions, the Program Entity shall share a significant part of the monetary and non-monetary benefits achieved in connection with the implementation of the ER Program with relevant stakeholders, which have been identified as communities, government institutions, and private sector.

## D. Environmental and Social Overview

### D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

**Location:** The ER Program focuses on two large political jurisdictions in the Peruvian Amazon: Ucayali and San Martin. The two areas are mostly covered by primary tropical forests rich in high commercial value species. While Ucayali is mainly Amazon plains, there are uplands and tropical mountain forests in San Martin.

**Environmental context:** The ER Program area is considered a biodiversity hotspot given the heterogeneity of forests, topography, climate, soils and species endemism. About half of Ucayali's and San Martin's forests are under some form of legal protection. In San Martin there are two National Parks, in addition to two Regional Conservation Areas (one is proposed) and a Protected Forest. In the case of Ucayali, the region has three National Parks, two Communal Reserves, and a Regional Conservation Area. Several other areas of internationally recognized environmental importance also overlap with both regions, including a UNESCO World Heritage Site (Abiseo River National Park, inscribed in the World Heritage List in 1990) and 13 Key Biodiversity Areas (KBAs), as shown in Annex 1.

**Social context:** More than 3 million ha of forests of the accounting area are found in indigenous communities, some of these areas overlapping with protected areas. There are 276 indigenous communities in Ucayali, and 89 in San Martin. Ucayali features a high and diverse number of Indigenous Peoples (IPs): the Ashéninka, Amahuaca, Chitonahua, Asháninka, Shipibo-Conibo, Isconahua, Kakataibo, Madija, Mascho Piro, Masta Nahua, Nahua, Omagua, Sharanahua, Yaminahua, and Yine. In San Martin there are Awajun, Shawi, and Kichwa. The two regions are in the lower half of Peru's Human Development Index national ranking. Especially for the Amazonian indigenous peoples, social development indicators are the lowest in the country, with high levels of chronic malnutrition, limited access to education and primary health care, and disproportionate levels of maternal and infant mortality. Poor women are also particularly vulnerable.

**Underlying activities:** The ERP is an umbrella Program comprising several ongoing underlying activities (16 in total), which are financed by WB, other MDBs, private sectors, government, and bilateral donors. These are presented in Table 1 below. The Program has the flexibility to include new activities during implementation/ after ERPA signing.



**Table 1**  
**Underlying activities of ER Program**

Project	Region	Funding	Administrative / implementing Agency	Executing agency	Description / objectives	E&S safeguard that applies
PIP – GOREU*	Information to be gathered during preparation					NA
PIP – GORESAM*	Information to be gathered during preparation					NA
FONDESAM*	Information to be gathered during preparation					NA
PIP CACAO – DRASAM*	Information to be gathered during preparation					NA
Peru Cocoa Alliance*	Information to be gathered during preparation					NA
Technoserve*	Information to be gathered during preparation					NA
PROCOMPITE*	Information to be gathered during preparation					NA
Refinca*	Information to be gathered during preparation					NA
Program for Sustainable, Inclusive, and Competitive*	SM & U	SERFOR-CAF		MINAGRI / SERFOR	Aimed at strengthening forest management capacities and at generating greater institutional	NA
UN-REDD	SM & U		-	MINAM	support governments and local actors in the preparation phase for the implementation of REDD +	UNDP
Land Titling and Registration Program (PTRT3):	SM & U	IDB	-	MINAGRI	Formalization of rural property in the Amazon regions and in focalized areas in the highlands	IDB
UNDP DCI project	SM & U	Norway and German Cooperation	UNDP	MINAM	Second phase of the DCI. Objectives include the inclusion of at least 2 million ha of forests in the forest conservation incentive (conditioned direct	UNDP
FIP Tarapoto-Yurimaguas Corridor (F1)	SM & U	CIF	IDB	MINAM	Objectives include: strengthen forestry governance, and zoning; sustainable management of natural capital; forest conservation; deforestation control	IDB
FIP Atalaya (F2)	U	CIF	WB	MINAM		WB
Sustainable Productive Landscapes (PPS) Program	U	GEF Trust Fund	UNDP	MINAM	Promotes deforestation-free sustainable production systems in order to generate multiple	UNDP
Dedicated Grant Mechanism for Indigenous Peoples and Local Communities DGM- SAWETO	SM & U	WB	WWF - Peru	AIDSEP, CPNAP /	Rural land titling initiative designed by indigenous Amazonian national organizations	WB

(\*) Projects not funded by international donors where more information is needed, specifically in relation to the application of safeguards and environmental and social management. This information will be compiled and analyzed as part of due diligence.





Based on the available information, it appears that only 7 of these activities, which are the ones financed by the WB (Saweto Dedicated Grant Mechanism in Peru -P148499 and the Integrated Forest Landscape Management Project in Atalaya, Ucayali -P163023) or other international donors, have been designed with the application of a safeguards framework. Consequences of this fact on the safeguards approach and capacity building needs will be further analyzed during due diligence. If due diligence on the 16 activities reveal that an activity is to not consistent with safeguard instruments, such an activity would need to be either retrofitted or excluded from the ER Program.

## D. 2. Borrower's Institutional Capacity

The ER Program will be led by MINAM (from now on, the Program Entity), national focal point for REDD+ responsible for monitoring, informing, and reporting on compliance with safeguards at the national level. Overall responsibility for REDD+ within MINAM has been transferred from the National Forest Conservation Program to the General Directorate for Climate Change and Desertification (DGCCD). Currently, a staff of 8 specialists are involved in coordination of REDD+ activities and associated projects, including two safeguard specialists. This technical team oversees all the national REDD+ initiatives, and depends on international cooperation resources for funding, a situation that creates a significant sustainability risk in the short to medium term.

MINAM is currently developing the "national safeguards system" for managing safeguards across the Program area, and at a national level. This system relies on existing instruments, instruments under development, and on the national legal and policy framework. It comprises the following 4 processes:

1) REDD+ Readiness Process (to be finalized by Q4 2019): Conceptualization and interpretation of the national safeguards (2017-2019), which includes the development of a Strategic Environmental and Social Assessment (SESA), which evaluates the impacts of the country's National Forest and Climate Change Strategy (ENBCC), and an Environmental and Social Management Framework (ESMF). ENBCC's ESMF provides a harmonized response to Peru's various safeguards commitments. It is based on the country's general REDD+ actions and analyzes the potential risks and impacts of the ENBCC's REDD+ actions at a macro level and proposes general management measures. As such, it does not address the specific potential environmental and social risks and impacts of the underlying activities under the ER Program umbrella (refer to Section II A and B1). Both ENBCC documents, the SESA and ESMF, are currently in draft versions.

2) Process for the design and implementation of the Safeguards Information System (SIS), a tool for monitoring compliance with REDD+ safeguards. The SIS is being designed, tested, evaluated, optimized, and is expected to be formalized by December 2020. Institutional arrangements for the administration and management of the SIS are still being defined.

3) Processes for the participation and capacity strengthening of stakeholders: includes the formation of a multi-stakeholder Working Group on Safeguards. A national safeguards sub-committee has already been established with the purpose, among others, to validate the SESA and ESMF, evaluate the SIS, and support the generation of other tools and processes for complying with REDD+ safeguards. A Grievance Redress Mechanism (GRM), a Citizen Attention Mechanism (MAC) is being developed to receive and address stakeholder concerns, suggestions, and complaints and use this feedback for continuous improvement of ER Program interventions and their implementation.

4) Process of communication with the UNFCCC (2017-2019): including ongoing communication on how the safeguards are being addressed by the reporting modalities agreed under the UNFCCC.

The analysis of MINAM's institutional capacity to manage safeguards across the Program area, based on the evolving "national safeguards system" and its 4 processes, considers that the Readiness Process preceding this ER Program for Peru has revealed important capacity challenges in regard to safeguards implementation, the GRM, as well as interinstitutional coordination and consultations with IPs. There are inherent adverse potential risks and impacts of the



16 underlying activities of the ER Program (see Table 1 in section I.D.1), particularly considering that more than half of these appear to have been designed under a national and regional framework only (i.e., without internationally recognized safeguards instruments). Limited institutional capacity and financial resources underlie inadequate vertical and horizontal coordination of stakeholders; sometimes pending allocation of rights to forest lands, land titling and zoning; the limited availability, dissemination, and use of information for decision making and land use planning; and the low level of monitoring, control, and enforcement of land and natural resource use.

As part of the Bank’s due diligence in the context of the ER Program, prior to ERPA signing, a full assessment of the capacity and resources for environmental and social safeguard management of the technical team for REDD+ within the DGCCD, based on its evolving “national safeguards system” will be conducted. The assessment will identify further details on capacity building, staffing and training needs of the Program Entity. It will consider, in particular: (i) the new areas of substantive coverage of the World Bank’s Environmental and Social Framework (ESF), as compared to the World Bank safeguards and the national/regional framework; (ii) the ability of the technical REDD+ team to effectively manage the execution and operation of the Program in line with the objectives of the ESF, and (iii) its capacity to monitor and report on the preparation of safeguard instruments at the ER Program activity level. Any capacity strengthening measures will be reflected in the Environmental and Social Commitment Plan (ESCP).

The focus of the supervision responsibilities of the World Bank, as Trustee of the FCPF, will be on the performance of the Program’s safeguards system (which will integrate the necessary safeguard documents to comply with ESF – as detailed in section II.B.1) and the Program Entity will need to assure this system and related documents are implemented in a satisfactory manner. The World Bank will not supervise the safeguards aspects of all individual underlying activities of the ER Program. The ESCP will include specific provisions on third party monitoring to determine level of adherence of underlying activities with safeguard documents and the Program Entity’s risk management system. World Bank will review the information from third-party monitoring and the GRM, along with MINAM’s self-reporting to determine whether or not to make the ER payments under the ERPA to the Program Entity.

## **II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS**

### **A. Environmental and Social Risk Classification (ESRC)**

#### **Environmental Risk Rating**

**SUBSTANTIAL**

The environmental proposed risk classification for the ER Program is Substantial under the World Bank ESF. Classification responds to potential indirect risks stemming from the implementation of the ER Program specific underlying activities, which can become impacts if not well identified and mitigated (see Table 1 in section I.D.1 and Table 2 below). These risks are mainly related to potential indirect and cumulative land use change and conversion and degradation of both natural and critical natural habitats. Even though the ER Program is expected to generate significant positive impacts on forest conservation, as it aspires to tackle the main direct drivers of deforestation and forest degradation to promote emissions reductions, there are a number of factors outside the control of the Program that could have an impact on its environmental performance and outcomes; the ERP for Peru covers an area with activities that are: a) financed and implemented under the supervision of the World Bank (FIP, DGM); b) financed and implemented by/under the supervision of other MDBs, bilateral donors, private sector, or the governments themselves; and c) carried out in the ER Program Accounting Area which may in some way contribute to the generation of emission reductions but are not part of the ER Program.



Table 2

**Components of the underlying activities of the ER Program that pose potential environmental risks and impacts\***

Components	Key environmental risks and impacts
<b>Strategic Line #1: Conserve and increase value of forests</b>	
Classification and zoning of forests without assigned rights	Land use change; conversion of natural primary forests to plantations; forest degradation; conversion/degradation of natural and natural critical habitat (including protected areas)
Reclassification of forestry concessions.	Land use change; conversion of natural primary forests to plantations; forest degradation; conversion/degradation of natural and natural critical habitat (including protected areas)
Zoning and titling of indigenous communities.	Titling within regional protected areas and reduction of their extension; "cesion de uso" within regional protected areas and potential related land use changes and impacts; land use change
Community development plans.	Land use change; conversion/degradation of natural habitat due to lack of adequate environmental management measures
Payments for conservation of forests on indigenous lands, including the formulation of community development plans	Land use change; conversion/degradation of natural habitat due to lack of adequate environmental management measures
MFC (community forest management) for timber	Land use change; conversion/degradation of natural habitat due to lack of environmental management measures; impacts on water resources
MFC for non-timber products	Land use change; conversion/degradation of natural habitat due to lack of environmental management measures; impacts on water resources
MFC for ecotourism, others	Land use change; conversion/degradation of natural habitat due to lack of environmental management measures; impacts on water resources
MFS by producer associations in local, riverine forests, including TA.	Land use change; conversion/degradation of natural habitat due to lack of environmental management measures; impacts on water resources
<b>Strategic Line #2: Increase the productivity, intensification, and competitiveness of climate friendly production systems.</b>	
Promote cession of use contracts for commercial agroforestry in commercial (8,000) and subsistence (2000) farms.	Land use change; conversion of natural primary forests to agroforestry plantations; conversion/degradation of natural habitat due to lack of environmental management measures; proliferation of pests; use of invasive species; impacts on water resources
Cession of use contracts for reforestation by producer groups	Land use change; conversion of natural primary forests to plantations; conversion/degradation of natural habitat due to lack of environmental management measures; proliferation of pests
Promote the use of technologies, equipment, and inputs through technical assistance and increased access to credit	Land use change; natural habitat degradation / contamination; community health and safety related issues
Use local or regional competitions to stimulate adoption of measures that increase productivity and quality.	Land use change; natural habitat degradation / contamination; community health and safety related issues
Promote commercial reforestation	Land use change; conversion of natural primary forests to plantations; conversion/degradation of natural habitat due to lack of environmental management measures; proliferation of pests
<b>Strategic Line #3: Promotion of investments and off-farm employment creation by green businesses.</b>	
Promote and facilitate "green" agricultural or forestry investments in already deforested areas or sustainable forest-based businesses such as ecotourism.	Land use change; conversion of natural primary forests to plantations or agricultural areas; introduction of invasive species; proliferation of pests
<b>Strategic Line #4: Improve institutional enabling conditions.</b>	
Consolidate public-private platforms (the Public-Private Coalition) for multi-stakeholder input and lobbying for regional development.	Cumulative land use change

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Formulate policies for the use of local forests, including riverine forests.	Forest degradation
Prioritize Program participants and stakeholders in classification, zoning, and titling programs of the regional governments	Titling within regional protected areas and consequent reduction of their extension; "cesion de uso" within regional protected areas and potential related land use changes and consequent impacts; degradation/conversion of natural and critical natural habitat
Clarify the rights related to local forests and riverine forests	land use change; degradation/conversion of natural and critical natural habitat
Grant cession of use contracts for agroforestry and reforestation	"Cesion de uso" within regional protected areas and potential related land use changes and consequent impacts; Land use change; contamination/degradation due to use of pesticides and agrochemicals; use of invasive species; proliferation of pests; degradation of water resources
In UC, reassign rights to abandoned or expired forestry concessions	Contamination/degradation due to use of pesticides and agrochemicals; use of invasive species; proliferation of pests; degradation of water resources
Promote forestry supervision and deforestation response by the indigenous regional organizations as forest custodianship of indigenous lands.	Violent encounters and accidents/fatalities during forestry supervision and deforestation response by indigenous regional organizations

(\* ) Assessment based on the available information to date. Will be updated as part of due diligence, as more information becomes available.

Based on the review of available documentation, and discussions with safeguard specialists of MINAM’s REDD+ technical team, key potential environmental risks and impacts of the proposed ER Program’s underlying activities and specific components (see Table 2 above) that should be monitored and addressed are related to:

- Land use change promoted by an inadequate classification and zoning of primary forests without assigned rights that does not consider environmental aspects beyond the results of the national’s land classification system (“Clasificación de Tierras por su Capacidad de Uso Mayor”), according to Supreme Decree 017-2009-AG. Underlying activities include the classification and zoning of forests. A poor classification can result in, for example, a primary forest being classified as an area susceptible of receiving a forest concession for timber exploitation, which would result in land use change.
- “Cesión de uso” contracts of indigenous communities (land rights assigned over areas classified as “forests”) within Regional Protected Areas (RPAs) and potential related land use changes and impacts on these critical habitats.
- Conversion/degradation of natural habitat and corresponding impacts on natural resources (water, soil), including the proliferation of pests, introduction of invasive species, and contamination with agrochemicals due to a lack of adequate environmental management measures of (i) community development and business plans, (ii) Community Forest Management (MFC) of timber and non-timber products, and specially (iii) land use contracts for commercial agroforestry and reforestation.
- Conversion and degradation/contamination of natural habitat and corresponding impacts on natural resources (water, soil), due to the promotion of the use of technologies and equipment that increase productivity and quality, without adequate environmental management measures.
- Land use change, particularly the conversion of natural primary forests outside protected areas to agroforestry systems and plantations due to the promotion of “cesión de uso” contracts.
- Deforestation and land use change due to a lack of sustainability of the underlying activities (e.g., if the community business plans are not sustainable in the long term because of technical and/or economic reasons, and are abandoned).
- Cumulative land use changes due to unanticipated adverse outcomes from the lobbying for regional development (refer to list of activities in Table 2).
- Community and occupational health and safety issues related to: inadequate handling and disposal of agrochemicals and pesticides, incidents and accidents due to unsafe use of equipment and technology, violent



encounters and accidents/fatalities during forestry supervision and deforestation response by indigenous regional organizations, among others.

Mentioned risks and impacts are amplified due to a weak institutional capacity of MINAM’s REDD+ technical team to undertake environmental supervision of the set of 16 underlying activities that are currently under the umbrella of the ER Program, particularly considering that 9 of these appear to have been designed under a national and regional framework only (i.e., without internationally recognized safeguards instruments - refer to Table 1, Section I.D.1). As part of its due diligence process, the World Bank will further analyze the specific circumstances of the 16 underlying activities under the ER Program, and the context of the intervention sites, in order to further assess potential environmental risks and impacts of these activities and define the necessary safeguards instruments for mitigation. These instruments will be developed by the Program Entity as part of the ER Program’s ESMF (“ERP-ESMF”, from now on). It is important to highlight that, although the Program Entity has developed a draft ESMF, this is based on the country’s general REDD+ actions and analyzes the potential risks and impacts of the ENBCC’s REDD+ actions at a macro level and proposes general management measures. As such, it does not address the specific potential environmental and social risks and impacts of the underlying activities under the ER program umbrella (see details in section B2).

If due diligence reveals that an underlying activity is to not consistent with the ERP-ESMF, such an activity would need to be either retrofitted (in case of ongoing activities) or excluded from the ER Program. This level of due diligence is necessary to ensure that, at the time of ERPA signing, the ER Program only includes the ER Program activities that are consistent with the ERP-ESMF.

**Social Risk Rating**

Substantial

The social proposed risk classification for the ER Program is Substantial under the World Bank ESF. The ERP for Peru covers an area with activities that are a) financed and implemented under the supervision of the World Bank (FIP, DGM); b) financed and implemented by/under the supervision of other MDBs, bilateral donors, private sector, or the governments themselves; and c) carried out in the ER Program Accounting Area which may in some way contribute to the generation of emission reductions but are not part of the ER Program. This means that there are a number of factors outside the control of the Program that could have a significant impact on the ES performance and Program outcomes.

Based on the analysis of the underlying activities of the ER Program and discussions with safeguard specialists of MINAM’s REDD+ technical team, the ER Program per se is not likely to cause significant negative impacts on human populations. On the contrary it is expected to have positive impacts on vulnerable and systematically excluded groups through better forest governance, more inclusive decision making of e.g., forest concessions, an increase in employment and business opportunities due to the reduction of illicit forestry activities and the improvement of the livelihoods of people with small land properties. Furthermore, the ERP activities will foster the adoption of sustainable and productive land-uses. It is also expected to enhance livelihoods through a more coordinated support from various public programs that would generate increased revenues from sustainable practices (agriculture and forestry), thus generating rural employment. Impacts on physical, cultural, and/or archeological sites, economic displacement, land acquisition or resettlement are thought to be minimal and will be analyzed in depth during preparation.

However, the project is large in scale, both targeted regions have a history in weak law enforcement related to forest management, significant capacity challenges were identified at MINAM and especially the regional level, and there is an important contextual social risk associated with possible local social conflicts stemming from the distribution of the benefits of the Payments for Results/benefit sharing schemes. Furthermore, the social context in the ERP regions in Peru is sensitive from legacy issues around land tenure and land grabbing, coupled with competing interests and demands of different workers, miners, land holders and people without land title, and illegal logging activities.

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Furthermore, there are risks identified related to indigenous territories and forms of forest administration; and potential restrictions of access to natural resources or protected areas traditionally used by local communities.

These risks are being partially mitigated through REDD+ Readiness support, which will continue strengthening MINAM's institutional capacity in sustainable forest management, MRV, safeguards and consultations, field data collection, among other areas. In addition, Peru will implement the ERP through a participatory approach and apply citizen engagement and beneficiary feedback mechanisms. The Stakeholder engagement process is expected to provide inputs to generate strategies to avoid, minimize or mitigate the risks mentioned above. Maintaining a good relationship with rural communities, including indigenous communities and organizations, will be essential, as this will help mitigate potential conflicts and give greater confidence to communities. In this respect, a Citizen Attention Mechanism (MAC) is being developed to receive and address stakeholder concerns, suggestions, and complaints and use this feedback for continuous improvement of ER Program interventions and their implementation

Furthermore, the risks identified for the social side will be mitigated through a Process Framework (PF), an IPPF (given IP presence) and an RPF (to avoid or mitigate economic losses or resettlement). All the safeguards instruments (including the ERP-ESMF) will include an exclusion list to avoid adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation.

There will be the need for an in-depth stakeholder involvement during ER Program preparation and its life cycle. The Stakeholder Engagement Plan (SEP) will put a strong focus on inclusive stakeholder management, and the ER Program Document and its benefit sharing plan (in preparation) shall be managed through a participatory approach and apply citizen engagement and beneficiary feedback mechanisms. This will help create timely feedback loops and ensure inclusion and active participation of beneficiaries from vulnerable groups to avoid any kind of discrimination.

If due diligence reveals that an underlying activity is not consistent with the ERP-ESMF, such an activity would need to be either retrofitted (in case of ongoing activities) or excluded from the ER Program. This level of due diligence is necessary to ensure that, at the time of ERPA signing, the ER Program only includes the ER Program activities that are consistent with the ERP-ESMF and its related instruments.

## **B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

### **B.1. General Assessment**

#### **ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

##### ***Overview of the relevance of the Standard for the Project:***

This Standard is relevant. The ER Program is expected to generate benefits for local communities through the adoption of sustainable and productive land uses, as well as significant positive impacts on forest conservation, as it aspires to tackle the main direct drivers of deforestation and forest degradation to promote emissions reductions. However, the specific underlying activities over which the overall ER strategy is based, pose potential direct and indirect social and environmental risks and impacts that need to be mitigated and managed.

The Environmental and Social Screening during Concept Note stage identified that the ER Program's underlying activities will generate overall positive impacts related with landscape restoration and promote sustainable and resilient land use practices. However, there is a substantial social risk that some individuals may not be able to receive a share of project benefits, may be adversely impacted by program activities, or suffer disproportionately from land use change. Furthermore, the social context in the ERP regions in Peru is sensitive from legacy issues (e.g., MICI case at IADB) around land tenure and land grabbing, coupled with competing interests and demands of different workers,



miners, land holders and people without land title, and illegal logging activities. Furthermore, there are risks identified related to indigenous territories and forms of forest administration; and potential restrictions of access to natural resources or protected areas traditionally used by local communities. These risks are coupled with a substantial environmental risk related to activities that could indirectly promote land use change, degradation of forests and natural resources, and conversion of natural and critical natural habitats (see Tables 1 and 2). These risks can become impacts if they are not well identified and mitigated and if the Program Entity is not sufficiently trained in the implementation and supervision of the ERP-ESMF, or if enough resources to do so are not available. If due diligence on the 16 activities reveal that an activity is not consistent with the ERP-ESMF and its related instruments, such an activity would need to be either retrofitted or excluded from the ER Program.

The ER Program is based on a Readiness process (to be completed by Q4 2019), which will develop a Strategic Social and Environmental Assessment (SESA) of the country's National Forest and Climate Change Strategy (ENBCC) and an Environmental and Social Management Framework (ESMF). The SESA and the ESMF analyze the potential risks and impacts of the ENBCC's REDD+ actions at a macro level and propose general management measures. As such, they do not address the specific potential environmental and social impacts of the already defined and ongoing REDD+ projects (including underlying activities under the ER Program umbrella), but rather provide a basis and baseline for the development of the corresponding necessary measures.

The draft ENBCC's SESA and ESMF, together with other existing safeguards instruments of the underlying activities financed by international donors or organizations (WB, IDB, CIF or others) will be assessed by the Bank as part of its due diligence process. This assessment will help inform the gaps between current safeguard instruments and ESF requirements and the results will be used by the Program Entity for the development of a specific ERP-ESMF, and corresponding environmental and social guidelines for the ER Program's underlying activities, as well as the benefit sharing mechanism.

The ER Program's underlying activities will be safeguarded through an ERP-ESMF and other guidelines and frameworks (RPF, IPPF, PF, etc.) whose supervision responsibility, for projects outside of Bank financing, lies with the Program Entity. Plans will be required for those underlying activities that pose specific risks and impacts related to the provisions of particular ESSs (under the premise that underlying activities not consistent with the ERP-ESMF will need to be either retrofitted or excluded from the ER Program). The ERP-ESMF will also include: (i) an exclusion list of activities, such as the introduction of invasive species in plantations; (ii) a screening plan to identify potential negative environmental and social impacts associated with activities; (iii) procedures to determine the need for development of site-specific assessments and safeguard instruments, adequately applying the Mitigation Hierarchy; and (iii) a process for screening and categorizing, in terms of expected level of environmental and social risk, and safeguarding future potential underlying activities to be included under the ER Program.

The ERP-ESMF and its corresponding guidelines for the development of specific instruments will be linked to Peru's national safeguards system. The focus of the supervision responsibilities of the World Bank, as Trustee of the FCPF, will be on the performance of such system and the Program Entity to assure the ERP-ESMF is implemented in a satisfactory manner, and not on supervising the safeguards aspects of all individual underlying activities of the ER Program. The ESCP will include specific provisions on third party monitoring to determine level of adherence of underlying activities with ERP-ESMF and MINAM risk management system. World Bank will review the information from third-party monitoring and the GRM, along with MINAM's self-reporting to determine whether or not to make the ER payments under the ERPA to the Program Entity.

The draft ERP-ESMF will be prepared and disclosed prior to Appraisal, while the guidelines for specific safeguard instruments will be disclosed as detailed in Table 3 (Section III). Given the social risks, outreach to target groups, particularly indigenous peoples in remote areas such as the Amazonia, will be important. Among others, the ERP-ESMF



shall be submitted for consultation to AIDSESP (Interethnic Association for Forest Development in Peru) and CONAP (Confederation of Amazonian Nationalities of Peru), the two most important indigenous people confederations in the Peruvian Amazon region.

**Areas where reliance on the Borrower’s E&S Framework may be considered:**

The Program will not rely on country systems, but rather on the WB ESF through the design and implementation of the ERP-ESMF.

**ESS10 Stakeholder Engagement and Information Disclosure**

This Standard is relevant. The Readiness phase leading to the draft SESA and ESMF of the ENCCCB implemented a broad and strong stakeholder engagement process, also in the ERP Project regions. The ER Program and its related Stakeholder Engagement Plan (SEP) will build upon this long-standing continuous engagement with several stakeholders, including indigenous peoples and civil society.

Given that the accounting area is comprised of two political jurisdictions, the regions of San Martin and Ucayali, beneficiaries will include the regional governments and actors such as community groups, indigenous peoples, and small and medium-sized producers. Potential stakeholders also include private enterprises and NGOs that operate in the jurisdiction, and whose actions contribute to the achievement of the ER Program's objectives or whose interests might be affected by the Program, to the extent that they act through public-private alliances and/or public-private-communal alliances that help to promote low-emissions development. Indigenous peoples are represented by a network of regional indigenous organizations, including, but not exclusive to, Regional Indigenous Organization of Atalaya (OIRA), Regional Union of Indigenous Peoples of Atalaya (URPIA), and Interethnic Association for Forest Development in Peru (AIDSESP). Other important stakeholders in the province include: (i) “*rivereños*” communities (traditional Amazonian communities of indigenous descent, but who do not identify themselves as indigenous); (ii) “*colonos*” (people from the Andean region that have migrated to the Amazon region in search of agricultural lands; (iii) forest concessionaires and producers; and (iv) sub-national governments.

MINAM will prepare a Stakeholder Engagement Plan (SEP) that will accompany the ER Program’s preparation and implementation phase. The SEP will outline a) who the key stakeholders are; b) how they will engage with them, especially regarding indigenous peoples’ representatives, members of the afro descendant communities (if applicable), women of all ethnicities, and other vulnerable groups; c) how often the engagement will occur throughout the ER Program; d) how feedback will be solicited, recorded and monitored over the ER Program; e) who will be responsible with this engagement; f) timeline for this engagement; g) budget and human resources, among other details. To avoid or minimize the risk of leaving certain vulnerable groups behind, the SEP will describe the measures that will be used to remove obstacles to participation in the benefits of the ER Program, and how the views of differently affected groups will be captured. Where applicable, the SEP will include differentiated measures to allow the effective participation of those identified as disadvantaged or vulnerable, focusing on IPs and small farmers without formal organizations. Dedicated approaches and an increased level of resources may be needed for communication with such differently affected groups such as remote and dispersed populations so that they can obtain the information they need regarding the issues that will potentially affect them (positively or negatively). The stakeholder engagement process already began, will be continued before ERPA signing and will guide the ER Program through implementation. Feedback will be integrated into the SEP (see Table 3, Section III for timing of preparation and disclosure).

The existing prototype Citizen Attention Mechanism (MAC – grievance mechanism) developed by MINAM will be further developed during preparation in order to better receive and facilitate resolution of concerns and grievances





and ensure agility, access, prompt response timeframes, and respect for confidentiality. The prototype is based on national and regional experiences that will be expanded and improved.

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

This Standard is relevant, based on the underlying activities of the ER Program and as ER Program underlying activities include both, small-scale community-based projects and projects where activities are carried out by contractors and subcontractors (e.g., land titling projects such as the PTRT3). In this sense, the ER Program and the underlying activities may encompass the hiring of different types of workers (direct workers, community-based labor, consultants). Program Entity should prepare a Labor Management Procedure (LMP), which will serve as the basis for preparation of more specific Labor Management Plans as needed during implementation.

In the case of community labor, the Program Entity will assess whether there is a risk of child labor or forced labor, identifying those risks consistent with paragraphs 17 to 20 of the ESF. The LMP will set out roles and responsibilities for monitoring community workers and ensure that child labor as forbidden under the ESF shall not occur.

Furthermore, in line with the LMP, and as applicable, implementors of underlying activities would prepare activity-specific Labor Management Plans based on the LMP, applying any national law and ESS2 requirements that are relevant given the nature of the activity. This includes: terms and conditions of employment, non-discrimination and equal opportunity, and the establishment of workers' organizations. OHS aspects of the LMP and activity Labor Plans will apply EHS as relevant. The Bank will advise MINAM to make a Grievance Redress Mechanism (GRM) available to workers during Program implementation.

It is expected that government civil servants of the Ministries (Finance, Environment, Forest, Protected Areas, Agriculture) will work in connection with the ER Program, whether full-time or part-time. These will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement, unless there is an effective legal transfer of their employment or engagement. ESS2 will apply to such government civil servants in regard to provisions of paragraphs 17 to 20 (Protecting the Work Force) and paragraphs 24 to 30 (Occupational Health and Safety).

The number of workers is not known at this time. Foreign labor influx related impacts are not expected. The ER Program will promote transparency in terms and conditions of employment, nondiscrimination and equal opportunity where possible.

Relevance of this ESS will be further assessed – including budgetary needs, capacity building needs and supervision - during preparation when a more detailed description of the underlying activities is available. During project implementation, the Labor Management Procedure will be revisited and updated as required and as additional labor related risks or issues unfold.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

The standard is relevant. The ER Program aspires to tackle the main direct drivers of deforestation and forest degradation to promote emissions reductions. The achievement of the PDO will be measured against indicators which include the volume of CO2 Emission Reductions measured and reported by the Program Entity, verified by a Third Party, and transferred to the FCPF Carbon Fund (tCO2e).



Although no rehabilitation or construction of new big infrastructure will be financed under the ER Program, as it will work mainly within the forestry sector, some of its underlying activities may pose a risk of environmental pollution and degradation of natural resources (soil, water), which can become impacts if not well identified and mitigated. These include commercial reforestation and commercial agroforestry, use of technologies, equipment, and inputs through technical assistance, implementation of community development plans and community forestry management systems, among others (refer to Table 2, Section II.A). These activities may generate environmental pollution and degradation by an inadequate: (i) use of pesticides and agrochemicals; (ii) consumption of water resources and consequent degradation of water quality and quantity (affecting users downstream); (iii) use of gas and oils for equipment; etc. The fact that these activities are likely to involve smallholders (less equipped to handle/manage potentially dangerous chemicals) makes it particularly important to include appropriate guidance and provisions in the ERP-ESMF. The ERP-ESMF will also include specific measures to prevent and mitigate the pollution of natural resources, mainly soil and water, when handling hydrocarbons (oil and gas) for equipment in forestry and agroforestry activities.

The ERP-ESMF will include Guidelines for Integrated Pest Management (IPMG), applicable to those underlying activities that promote agricultural intensification and reforestation (refer to Table 2, Section II.A). The critical provisions of ESS3 on Pest Management will be incorporated into this instrument, including: (i) list of prohibited pesticides at the national level and those prohibited in the international lists that are applicable; (ii) health and safety regulations when handling pesticides and agrochemicals; (iii) substantial measures on training; and others as highlighted in para. 21 and footnote 18 of ESS3. Integrated Pest Management Plans will be prepared by the implementors of the underlying activities, based on the IPMG, as needed during implementation, applying national law and ESS3 requirements that are relevant given the nature of the activity.

Relevance of this ESS will be further assessed during the preparation when a more detailed description of the underlying activities is available.

#### **ESS4 Community Health and Safety**

This standard is relevant. The ERP-ESMF will consider the potential risks and impacts to community health and safety from ER Program implementation and operational stages and guide the implementation of specific management measures, particularly in regard to emergencies from exposure to climate vulnerabilities (e.g., forestry fires, floods, and landslides) and man-made hazards (e.g., emergencies from exposure to pesticides and agrochemicals, and accidents due to unsafe use of equipment during forestry activities). To address these risks, the ERP-ESMF will include:

- (i) Specific language on the prevention of incidents and accidents due to unsafe use of equipment and technology, including particularly training and capacity building measures.
- (ii) Specific language on non-discrimination and a harassment-free workplace, additionally to provisions to exclude child labor or forced labor.
- (iii) Core principles of ESS4 will be considered in the Integrated Pest Management Guidelines described under ESS3.
- (iv) Provisions on Emergency Responses related to climate disasters and vulnerabilities, with provisions on emergency preparedness and response designed to address emergency events in a coordinated and expeditious manner, prevent them from injuring the health and safety of the community, and to minimize, mitigate and compensate for any impacts that may occur.
- (v) Specific language on the prevention of violent encounters and accidents/fatalities during forestry supervision, an activity promoted under the ER Program's underlying activities.

There may be a need to improve accessibility to Program buildings and offices for the public. Some modifications may be necessary for facilitating access to program information and systems to people with special needs. A specific road



safety plan or gender-based violence plan will not be necessary, as safety and harassment-related specificities will be included in the ERP-ESMF.

Relevance of this ESS will be further assessed during the preparation when a more detailed description of the underlying activities is available.

### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

The standard is relevant. The ER Program will not finance large-scale physical infrastructure and is not expected to cause physical displacement to formal or informal occupants. No involuntary land taking will be financed and no voluntary land donation is expected. However, the ER Program's underlying activities include land tenure activities (invest in resolution of land-tenure issues, titling, and formalizations) or could lead to the reduction or restriction of access to legally designated parks and protected areas or potentially small-scale infrastructure. Underlying activities could also lead to the loss of economic assets. These decisions will be sought through the participation of communities, Indigenous Peoples, and municipalities, and in case economic assets are lost temporarily or longer-term, it will be communicated on time and in an inclusive manner. However, there could be the case that for some community members, these arrangements might be involuntary. Thus, a Resettlement Policy Framework (RPF) and a Process Framework (PF), (in the case of reduction or restriction of access to legally designated parks and protected areas), will be prepared by the client (see Table 3, Section III for timing of preparation and disclosure). Both documents will outline the procedures the client will follow during ER Program implementation in order to define impacts covered under ESS 5, i.e., provide guidance on when and how to draft plans when necessary: The RPF will be prepared by the client outlining the procedures the client will follow during the implementation of the underlying activities in order to clarify resettlement principles, Livelihood Restoration Plans, organizational arrangements, and design criteria to be applied in case of economic losses.

The PF will describe the process for resolving disputes relating to resource use restrictions that may arise between or among affected communities and appropriate due diligence processes will ensure that potential land disputes and customary tenure conflicts are identified, avoided and/or addressed. Both frameworks will take into consideration cultural knowledge and will be consulted through participatory consultation processes in the ER Program areas and the capital before ERPA signing. Feedback from the consultations will be integrated into the PF and RPF.

The instruments will also describe the process for resolving disputes that may arise between or among affected communities.

All the safeguards instruments will include an exclusion list to avoid adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation by IPs.

Relevance of this ESS will be further assessed during the preparation when a more detailed description of the underlying activities is available.

### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

ESS 6 is relevant as the ER Program is covering the Peruvian Amazon region, an environmentally sensitive biodiversity hotspot already experiencing environmental degradation and natural resource depletion. Although the underlying activities support forest management and conservation, some of these may pose a risk on natural and critical natural habitats, biodiversity, and ecosystem services, which can materialize as adverse impacts if not well identified and mitigated, including: (i) introduction and/or promotion of use of invasive species on reforestation activities; (ii)



conversion of primary forests to agroforestry systems and plantations due to the promotion of “*cesión de uso*” contracts outside protected areas; (iii) land use change promoted by an inadequate classification and zoning of primary forests without assigned rights; (iv) “*cesión de uso*” contracts of indigenous communities within RPAs and potential related land use changes and impacts; (v) overexploitation of forests; among others (refer to Table 2 in Section II.A). To address the mentioned risks, the ERP-ESMF will include:

- (i) A list of ineligible activities under the ER Program umbrella, including (particularly relevant for this ESS): (a) the introduction and/or promotion of use of invasive species and/or non-native species (not currently established in the region) on reforestation and agroforestry activities. Where alien species are already established in the region, the project implementors will undertake diligence in not spreading them into areas in which they have not already become established; (b) land use change from primary forests to plantations, agroforestry systems, and silvopastoral systems, using MINAM’s land cover maps as baseline. These will be located on land that is already converted or highly degraded (excluding any land that has been converted in anticipation of the project); (c) titling or other forms of land use rights over protected areas; (d) granting “*cesion de uso*” contracts or titling over primary tropical forests and dry forests (except in the case of native communities), and over wetlands/peatlands; and (e) any other activity that may pose significant adverse impacts over critical natural habitats.
- (ii) A process for categorizing (in terms of expected level of environmental risks and impacts), and assessing and safeguarding future potential projects to be included under the ER Program. Projects that pose significant adverse impacts over critical natural habitats will not be included under the Program unless all conditions stipulated in Paragraph 24 of ESS6 have been met. Underlying activities located within critical natural habitats (mainly protected areas) will need to develop a critical habitat assessment, as will be set out in the ERP-ESMF, in order to determine if significant adverse impacts over the habitat are expected.
- (iii) Procedures to determine the need for development of site-specific assessments and guide the implementation of corresponding safeguard measures, adequately applying the Mitigation Hierarchy and following GIIPs. Such measures include: guidelines for sustainable exploitation of timber and non-timber products and avoid overexploitation; measures for forest fire prevention and control practices; procedures for preventing hydrological changes and consequent impacts on water users downstream of the areas of intervention; measures to ensure that any activities undertaken in legally protected areas and areas of international recognized biodiversity importance are consistent with the area’s protection status and and/or management and designation objectives; among others.
- (iv) Forest Management Guidelines (FMG) for both commercial and small scale activities, required for those specific underlying activities that include the promotion and development of forestry plantations, agroforestry systems, reforestation activities and community-based forest management for timber and non-timber products. National law requires the development of Forest Management Plans, as specified in the Forest and Wildlife Law (Law # 29763) for both timber and non-timber products. Forest Management Plans will be prepared by the implementors of the underlying activities, based on the FMG, as needed during implementation. As part of the due diligence process during preparation, a gap assessment between the national framework for forestry activities and ESS6 will be conducted, and the identified gaps will be reflected in the FMG.
- (v) Biodiversity Action Guidelines (BAG), required for those specific underlying activities that pose adverse residual impacts on natural and critical natural habitats and the biodiversity they support. The BAG will have a strong focus on the implementation of biodiversity offset measures where and as needed, in line with requirements of Paragraphs 15-18 of ESS6. Biodiversity Action Plans will be prepared by the implementors of the underlying activities, based on the BAG, as needed during implementation.
- (vi) Activities to strengthen the relevant Government institutions and stakeholders to comply with this



standard and the corresponding provisions to be included in the ERP-ESMF.

Sustainable management of living natural resources: Since the ER Program's underlying activities involve primary production and harvesting of living natural resources, the Program Entity will assess the overall sustainability of these activities, as well as their potential impacts on habitats, biodiversity and communities (including cumulative impacts). In the case of small-scale forestry activities, these will follow principles of this ESS in regard to time-bound planning for achieving sustainable management. Regarding industrial scale commercial forestry plantations, the Program Entity will ensure such operations are certified according to the requirements set out in ESS6 and national forest legislation and certification schemes. ERP-ESMF will include language on these requirements.

Primary producers: Project underlying activities related to the establishment of plantations, agroforestry systems, and silvopastoral systems, may entail the purchase of plants and seeds that are known to originate from areas where there is a risk of significant conversion or significant degradation of natural or critical habitats. The ERP-ESMF will include an evaluation of the systems and verification practices used by the primary suppliers (mainly nurseries). According to the obtained results, the Program Entity will establish systems and verification practices in line with requirements of Paragraph 38 of ESS6.

Relevance of this ESS will be further assessed during the preparation when a more detailed description of the underlying activities is available.

### **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

ESS 7 is relevant as beneficiaries of the underlying activities of the whole ER Program are also expected to be indigenous peoples and local communities. Ucayali has a larger number of indigenous communities than San Martin (273 vs. 89 in San Martin). Ucayali features a high and diverse number of Indigenous Peoples (IPs): the Ashéninka, Amahuaca, Chitonahua, Asháninka, Shipibo-Conibo, Isconahua, Kakataibo, Madija, Mascho Piro, Masta Nahua, Nahua, Omagua, Sharanahua, Yaminahua, and Yine. In San Martin, there are Awajun, Shawi, and Kichwa. Especially for the Amazonian indigenous peoples, social development indicators are the lowest in the country, with high levels of chronic malnutrition, limited access to education and primary health care, and disproportionate levels of maternal and infant mortality. Poor women are also particularly vulnerable.

It is not expected that the underlying activities of the ERP will have a negative impact on indigenous peoples or other minorities. The main challenges stem from the need to ensure that the underlying activities take into consideration IPs in line with ESS7. Furthermore, it is important to: (i) improve targeting of indigenous peoples, particularly those in areas of difficult access such as the Amazonia; (ii) support communication and outreach challenges due to geography, culture, and at times, language; (iii) access to services that provided in a culturally adapted manner will be critical and will require institutional strengthening of the PIU at the various levels. Lastly, (iv) strengthened and culturally appropriate grievance redress mechanisms will need to be developed using a tailored approach that is aligned with indigenous people's customs.

An Indigenous Peoples Framework (IPP-Framework) will be prepared to ensure that indigenous peoples concerns, and vulnerabilities of these groups are considered during ERP implementation and through the underlying activities. At a minimum, a draft IPPF should be ready by appraisal and consultations initiated on the overall program. The IPPF will identify the potential positive and negative impacts on IPs by the project and provide recommendations on how to screen for them and avoid them, but also how to promote their participation in ER Program and benefits. It will contain specific guidelines on culturally adequate consultations/dialogues, as well as measures to ensure joint planning, capacity building and culturally-inclusive implementation of activities, promoting equally distributed benefits for the population, including women and youth. In addition, the IPPF will establish guidelines and criteria for the preparation of Indigenous Peoples Plans (IPPs), to be drafted when required and during implementation once concrete activities



require it. The IPPs will be developed in line with ESS7 and will describe the specific actions, budgets, and indicators and will encourage inclusion of affected Indigenous Peoples and communities during their implementation.

It could be that some ER Program activities are carried out in isolated forest areas. The IPPF prepared for the ER Program will include protocols and procedures to protect indigenous peoples living in conditions of voluntary isolation or with sporadic contact with surrounding society.

The IPPF will be consulted, in both the capital and each activity area, in a culturally-sensitive manner, with the affected IP communities and/or their representatives, as appropriate, to ensure communities' broad support to the ER Program. Feedback will be integrated into the IPPF. The IPPF will be disclosed, online and in a location accessible to potentially affected communities.

The IPPF, as well as all other safeguards instruments (incl. the ERP-ESMF) will include an exclusion list to avoid adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation

Relevance of this ESS will be further assessed during the preparation when a more detailed description of the underlying activities is available.

### **ESS8 Cultural Heritage**

This standard is currently relevant. The ER Program will focus on forestry activities, the improvement of livelihoods, and sustainable land management practices and ER Program underlying projects could promote activities in areas containing tangible or intangible forms of cultural heritage. However, due to the nature of these activities, negative impacts on cultural heritage are not expected. Nevertheless, considerations of landscape values such as the cultural importance of mountains, rivers, and waterfalls etc., will be something to examine during the next stage of the ER Program preparation. The existence of any such sites in areas under the ER Program will trigger provisions included in the ERP-ESMF on how to address preservation of cultural heritage. The ERP-ESMF will also include institutional strengthening activities in the regional governments to comply with this ESS and country systems, as well as procedures in the case of chance findings.

Relevance of this ESS will be further assessed during the preparation when a more detailed description of the underlying activities is available.

### **ESS9 Financial Intermediaries**

This Standard is currently not relevant. The ER Program will not work with financial intermediaries thus will not apply ESS9.

### **B.3 Other Relevant Project Risks**

No other relevant environmental and social risks have been identified. However, during the Bank's due diligence new information may arise that will need to be incorporated into the applicable standards.

## **C. Legal Operational Policies that Apply**

### **OP 7.50 Projects on International Waterways**

The ER Program will not affect international waterways as defined in the Policy. Therefore, this Policy is not triggered.



OP 7.60 Projects in Disputed Areas

The Policy is not triggered because the ER Program will not be implemented in areas known to involve disputed areas.

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

NO

Financing Partners

N/A

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

The Program Entity will develop a specific ERP-ESMF, together with individual guidelines and frameworks for the preparation of site-specific safeguards instruments, which will safeguard the underlying activities under the ER Program umbrella, in line with the requirements of the Bank’s ESF (if due diligence on the 16 activities reveal that an activity is not consistent with the ERP-ESMF and its related instruments, such an activity would need to be either retrofitted or excluded from the ER Program). Table 3 below summarize the diferent assessments, guidelines and frameworks required.

Table 3. Required Environmental and Social safeguards instruments

E&S safeguard assessments and instrument		Applicable Standard	Due date	Responsible
1	Environmental and Social Management Framework (ERP-ESMF)	All	Finalized before ERPA signature. Draft version prior to Appraisal.	Client
2	Indigenous Peoples Framework (with subsequent IPPs where necessary)	ESS7	Finalized before ERPA signature. A draft IPPF ready by appraisal and consultations initiated on the overall program.	Client
3	Resettlement Policy Framework (RP-F)	ESS5	Finalized before ERPA signature. Draft version prior to Appraisal.	Client
4	Process Framework in case restriction of access to natural resources occurs	ESS5	Finalized before ERPA signature. Draft version prior to Appraisal.	Client
5	Stakeholder Engagement Plan (SEP)	ESS 10	Finalized before ERPA signature. Draft version prior to Appraisal.	Client with WB
6	Integrated Pest Management Guidelines (IPMG)	ESS 3	Draft version prior to ERPA signature. Finalized during implementation	Client
7	Biodiversity Action Guidelines (BAG)	ESS 6	Finalized during implementation. Draft version prior to ERPA signature	Client
8	Labour Management Procedure (LMP), including code of conduct	ESS 2	Finalized during implementation. Draft version prior to ERPA signature	Client
9	Forest Management Guidelines (FMG), for both commercial and small-scale activities	ESS 6	Finalized during implementation. Draft version prior to ERPA signature	Client
10	Capacity building program for MINAM, based on the results of the capacity assessment to be conducted by the Bank.		During implementation	WB and/or third-party

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From the above, the following 5 instruments will be disclosed in draft versions prior to Appraisal: (1) ERP-ESMF, (2) IPF, (3) RPF, (4) PF, (5) SEP. The ERP-ESMF will include an explanation of the nature of the environmental and social risks related to (i) the use of pesticides, (ii) forest management, (iii) critical habitat and biodiversity and (iv) labor management, together with an explanation of the overall principles and approaches of the proposed management measures. These measures will be further detailed in the following 4 instruments, which will be disclosed in draft version prior to ERPA signature: (6) IPMG, (7) BAG, (8) LMP, (9) FMG.

Due diligence will confirm the specific safeguard guidelines and frameworks that are needed (as more detailed description of the underlying activities is available and relevance of ESSs is further assessed), and will inform their design.

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

The ESCP will address the completion of the assessments included in Table 3, as applicable and once exact timeline is determined. It will also include:

- Consultation and disclosure needs and timelines.
- Regular Reporting: need of preparing and submitting regular monitoring reports on the implementation of the ESCP.
- Third party monitoring to determine level of adherence of underlying activities with ERP-ESMF and MINAM risk management system.

**C. Timing**

**Tentative target date for preparing the Appraisal Stage ESRS: October 2019**

**IV. WORLD BANK ES OVERSIGHT**

Corporate advice/oversight will be provided by an Environmental and Social Standards Adviser (ESSA) during project preparation

**V. CONTACT POINTS**

**World Bank**

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Contact:	Dorothee Georg	Title:	Social Specialist
Telephone No:	5782 4209	Email:	<a href="mailto:dgeorg@worldbank.org">dgeorg@worldbank.org</a>

**Borrower/Client/Recipient**

Ministry of Finance

**Implementing Agency(ies)**

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Implementing Agency:  
Ministry of the  
Environment (MINAM)

#### **VI. FOR MORE INFORMATION CONTACT**

The World Bank  
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Web: <http://www.worldbank.org/projects>

#### **VII. APPROVAL**

Task Team Leader(s): Angela Armstrong; Nina Doetinchem

**Annex 1.** Protected Areas and other areas of internationally recognized biodiversity importance within the Regions of Ucayali and San Martin

Areas and categories	San Martin	Ucayali
<b>Legally Protected Areas under Peru's legislation</b>		
Abiseo River National Park	X	
Cordillera Azul National Park	X	X
Regional Conservation Area of Cordillera Escalera	X	
Regional Conservation Area Bosques de Shunté y Mishollo	X	
Alto Mayo Protected Forest	X	
Alto Purús National Park		X
Sierra Del Divisor National Park		X
Imiria Regional Conservation Area		X
El Sira Communal Reserve		X
Purus Communal Reserve		X
<b>Proposed areas for legal protection</b>		
Regional Conservation Area Shawi	X	
<b>Other areas of internationally recognized biodiversity importance</b>		
Abiseo River National Park UNESCO World Heritage Site	X	
Laguna de los Cóndores IBA /KBA	X	
Moyobamba IBA/KBA	X	
Jesus del Monte IBA/KBA	X	
Abra Patricia Alto Mayo IBA/KBA	X	
Cordillera Azul National Park IBA/KBA	X	X
Abiseo River and Tayabamba IBA/KBA	X	
Between Balsapuerto and Tangarana KBA	X	
Abra Tangarana KBA	X	
Tarapotop KBA	X	
20 km NW of Boca Pua KBA	X	
Cordillera Vilcabamba IBA/KBA		X
Alto Purus IBA/KBA		X
Sira Comunal Reserva IBA/KBA		X



Figure A. Legally protected Areas within San Martin and Ucayali

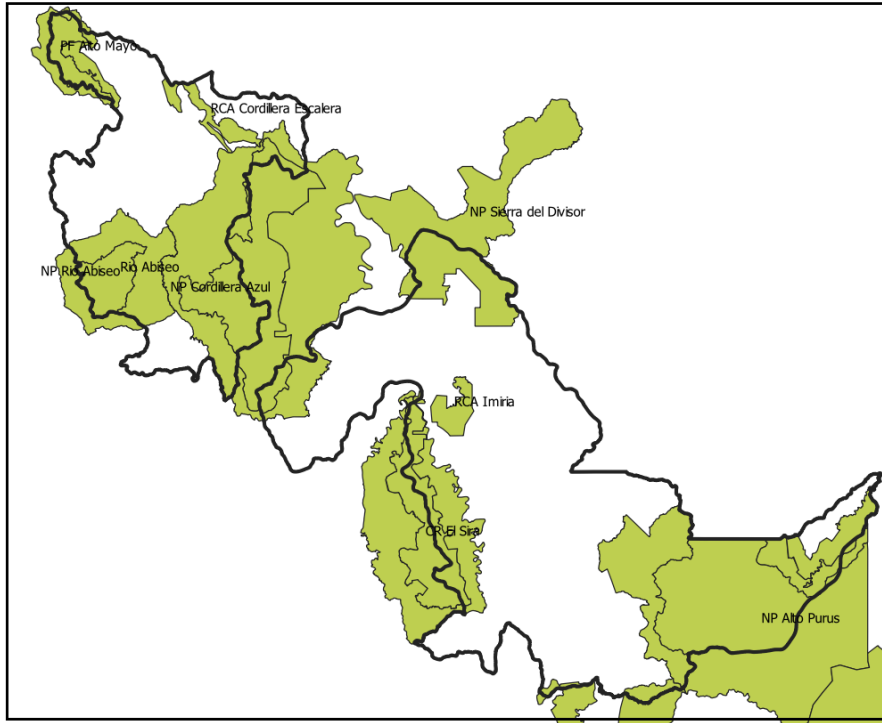
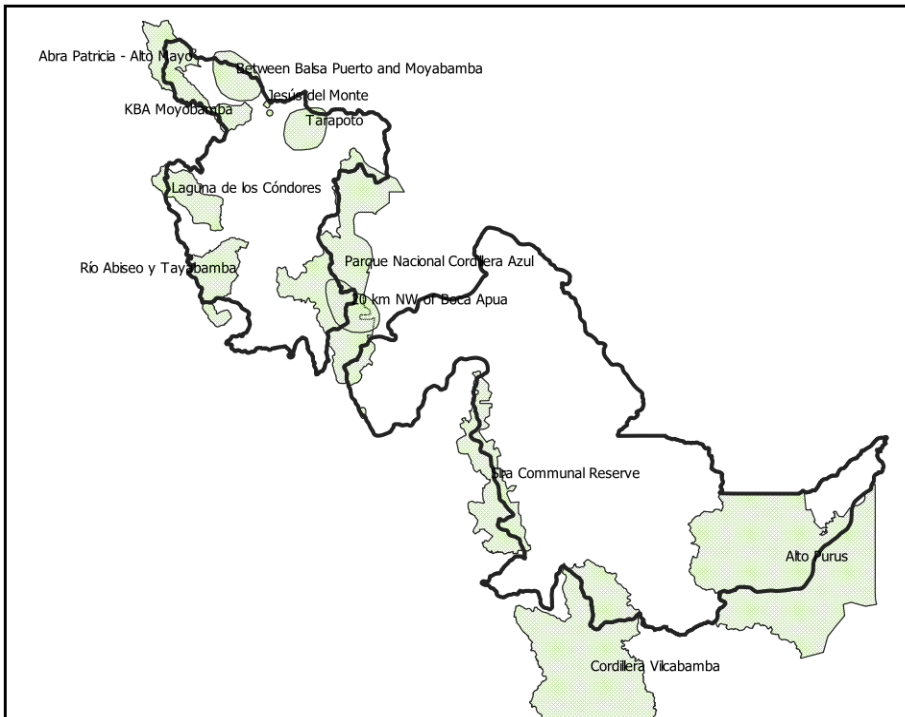


Figure B. Other areas of internationally recognized biodiversity importance within San Martin and Ucayali



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