

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**IMPLEMENTATION OF THE READINESS PREPARATION PROPOSAL (R-PP) FOR  
REDUCING EMISSIONS FROM DEFORESTATION AND FOREST DEGRADATION  
(REDD+) IN PERU**

**(PE-T1294)**

**TECHNICAL COOPERATION DOCUMENT**

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## TECHNICAL COOPERATION DOCUMENT

### I. BASIC PROJECT DATA

|  |  |
|--|--|
| ▪ Country/Region   | Peru   |
| ▪ TC name:   | Implementation of the Readiness Preparation Proposal (R-PP) for Reducing Emissions from Deforestation and Forest Degradation (REDD+) in Peru |
| ▪ TC number:   | PE-T1294   |
| ▪ Associated loan/guarantee name:                        | Land Titling and Registration Program III  |
| ▪ Associated loan/guarantee number:                      | PE-L1026   |
| ▪ Date of TC abstract authorization:                     | n/a  |
| ▪ Beneficiary  | Government of Peru   |
| ▪ Executing agency:                                      | National Forest Conservation Program for Climate Change Mitigation (PNCBCC) of the Ministry of the Environment (MINAM)                       |
| ▪ Donors providing funding:                              | Forest Carbon Partnership Facility (FCPF)  |
| ▪ IDB funding requested:                                 | US\$3.8 million  |
| ▪ Local counterpart funding, if any:                     | n/a  |
| ▪ Disbursement period:                                   | 24 months  |
| ▪ Required start date:                                   | 1 June 2014  |
| ▪ Types of consultants (firm or individual consultants): | Firms and individual consultants   |
| ▪ Prepared by unit:                                      | INE/RND and INE/CCS  |
| ▪ Unit of disbursement responsibility:                   | RND/CPE  |
| ▪ TC included in country strategy:                       | Yes  |
| ▪ TC included in CPD:                                    | Yes  |
| ▪ GCI-9 sector priority:                                 | Environmental protection, response to climate change, promotion of renewable energy, and food security                                       |

## **II. DESCRIPTION OF ASSOCIATED LOAN/GUARANTEE**

- 2.1 This technical cooperation (TC) operation is associated with the Land Titling and Registration Program III (loan PE-L1026), being prepared as a specific investment loan for approval this year. That program's objective is to support formalization of rural land ownership in the Selva (forest) and Sierra (mountain) regions of Peru through integrated campaigns of cadastral surveying, titling, and registration of individual and communal property.
- 2.2 This TC operation will support the Land Titling and Registration Program III with the development of a national deforestation monitoring system. This system will play a key role in monitoring the possible impacts of the program,<sup>1</sup> as well as in supporting deforestation prevention measures. It will be a basic tool of the TC coordination unit for monitoring the environmental safeguards of the Land Titling and Registration Program III.

## **III. OBJECTIVES AND RATIONALE**

- 3.1 Reducing Emissions from Deforestation and Forest Degradation (REDD+) is the result of implementing public policies for the protection and sustainable use of forests and the recovery through reforestation of forested areas that have been degraded. In tropical countries like Peru, efforts have been made to institute policies of this kind, including the creation of systems of protected areas, the establishment of permanently productive forests, the titling of individual properties, the demarcation of indigenous territories, and the introduction of forest governance. Despite the implementation of these policies, a more detailed examination of Peru's forestry sector shows that the country has not yet succeeded in significantly reducing deforestation and forest degradation, which over the last decade has remained around 120,000 hectares annually. The principal factor driving this deforestation is small-scale traditional farming, which is responsible for three-quarters of total deforestation.
- 3.2 The failure of forest protection and conservation policies is due largely to the lack of long-term financing compatible with the global public goods generated. The central issue is that reducing emissions from deforestation carries a private cost, since protecting forests means that rural growers will not receive income from the sale of forest and agricultural products. In the past, there were no mechanisms to compensate countries and producers financially. The cost of implementing protection policies for tropical forests was assumed by the countries and rural growers. As part of the international agreements on climate change, countries have agreed to the objective of halting deforestation and reversing the loss of forest cover, and to do so in the context of providing adequate and predictable financial support to

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<sup>1</sup> Greater security of land tenure is expected to stimulate the sustainable use of rural property. However, small farmers moving to a new location to start a farm in an unclaimed tract of forest may accelerate deforestation in advance of arrival of the units to formalize the project, in order to show that a larger area can be put to "productive use."

- developing countries. At the 2009 Conference of Parties in Bali,<sup>2</sup> developed countries undertook to contribute a total of US\$3.5 billion in financing. That commitment offers an opportunity to consolidate policies that have an impact on reducing deforestation and forest degradation, as well as improve policies that are having a contrary impact.
- 3.3 One of these sources of financing is the Forest Carbon Partnership Facility (FCPF)<sup>3</sup>. This facility supports the creation of capacities and the establishment of instruments to reduce greenhouse gas emissions caused by deforestation and forest degradation. As a prerequisite for accessing the FCPF, the Peruvian government has developed a REDD+ Readiness Preparation Proposal (R-PP), consisting of a plan with its respective objective, timetable, and budget for implementing REDD+ in the specific context of Peru. The proposal was prepared by the Ministry of the Environment (MINAM) and approved in December 2013 by the FCPF Participants Committee, thus making the country eligible to access the facility through one of the designated Delivery Partners for Latin America. The Peruvian government has asked the IDB to be the Delivery Partner for FCPF funding in the country,<sup>4</sup> providing the technical and administrative support necessary to access the facility.
- 3.4 The objective of this TC is to support the Government of Peru in implementing the R-PP. The proposal includes activities for institutional organization and public consultation on REDD+ issues, preparation of the national REDD+ strategy, development of national reference scenarios for forestry-related greenhouse gas emissions, and support for implementation of the national forest monitoring system and the respective environmental and social safeguards. Through this TC, the IDB will fulfill its role as Delivery Partner, providing technical and administrative support to the Government of Peru so that it can allocate FCPF resources effectively, in accordance with the technical guidelines and safeguards established in the R-PP, and in synergy with other initiatives contributing to REDD+ in the country.
- 3.5 This TC supports the objective for 2012-2015, established in the Ninth General Capital Increase (GCI-9) (document AB-2764), of lending to support climate change initiatives and environmental sustainability, through improving the country's capabilities on issues related to deforestation and forest degradation. This TC is also consistent with the objectives of the 2012-2016 country strategy with Peru (document GN-2668) and with the 2012 Country Program Document (document GN-2668-1). It is also aligned with the Sector Framework Document on Agriculture and Natural Resources Management (document GN-2709-2), inasmuch as it will enhance governance, the policy framework, and property rights over natural resources.

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<sup>2</sup> The Forest Carbon Partnership Facility (FCPF) was launched at the Thirteenth Session of the Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Bali.

<sup>3</sup> The Bank's Board of Executive Directors approved establishment of the FCPF Readiness Fund within the Bank and signed a Transfer Agreement with the World Bank as trustee of the FCPF. This agreement allows the IDB to provide technical assistance to Guatemala, Guyana, and Peru.

<sup>4</sup> [Resolution PC9/2011/1](#).

#### IV. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 4.1 **Component 1. Organization and consultation (US\$450,000).** This component seeks to support the government in the design and implementation of an institutional framework for implementing the National REDD+ Strategy and to facilitate stakeholder engagement in strategy design and implementation. The activities to be financed are: (i) preparation of the institutional design for REDD+, including identification and evaluation of design options, interagency workshops to achieve consensus on the definitive institutional design, a transition plan for its implementation, and support for institutional arrangements; and (ii) implementation of the Stakeholder Engagement Strategy,<sup>5</sup> including preparation of a communications plan for REDD activities, the organization of regional workshops for moving forward with preparation of the National REDD+ Strategy, and technical support for strengthening the REDD committees and the indigenous REDD committees.
- 4.2 **Component 2. Preparation of REDD+ strategy (US\$600,000).** This component will assist the government in preparing the National REDD+ Strategy, which will be based on a rigorous assessment of changes in land use and will include an evaluation of the environmental and social impacts of the proposed emissions reduction strategies. Activities under this component will include: (i) evaluation of changes in land use; (ii) diagnostic assessment of current landholding; (iii) design of the National REDD+ Strategy with proposed policies and plans for its implementation, as well as the identification of priority areas for implementing the strategy, and the analysis of safeguards relating to the options proposed; and (iv) development of the strategic environmental and social assessment (SESA), including a mapping of stakeholders, identification and prioritization of key environmental and social issues, and assessment of the degree to which the REDD+ strategy addresses priority issues, workshops for validating the various stages of the SESA, and preparation of an environmental and social management framework for addressing the potential impacts identified.
- 4.3 **Component 3. Development of national reference scenario (US\$625,000).** This component will assist the government in preparing the reference levels for forestry sector emissions. A benchmark must be set for comparing emission levels achieved through implementation of policies to prevent and control deforestation and forest degradation. This means developing a baseline for the existing scenario (without interventions). Activities under this component will include: (i) review of the literature on reference scenarios; (ii) holding an international workshop on reference level methodologies; (iii) development of the methodological framework for establishing reference levels; (iv) training for engaged stakeholders in the methodology to establish reference frameworks; (v) compilation of secondary data for constructing the reference scenario; (vi) collection of the primary data necessary

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<sup>5</sup> The Stakeholder Engagement Strategy is an operational document that supports the effective involvement of interested parties in the context of REDD+ readiness.

to develop reference scenarios; (vii) data analysis; and (viii) publication and dissemination of the reference scenario.

- 4.4 **Component 4. Development of National Forest Monitoring System and information on safeguards (US\$1,500,000).** This component seeks to design and implement a forest monitoring system. Activities under this component will include support for: (i) design and implementation of institutional mechanisms for coordination and execution of the national forest monitoring system; (ii) production of an official report on historical deforestation (2000-2013); (iii) operational definition of forests; (iv) update of the vegetation map, using the new definition of forests; (v) development of a methodology to identify secondary forests and man-made forests; (vi) development of a system for real-time forest monitoring; (vii) development of a short-term deforestation risk model; (viii) definition of the methodology for estimating net forest carbon emissions; (ix) a program to build capacity for implementing the national forest monitoring system; and (x) creation of Web services to distribute preprocessed satellite images and forest information generated by the system. Execution of activity (i) above will be a condition precedent to disbursement for the remaining activities under this component.

**Table 1. Indicative Results Matrix**

| <b>Component</b>                              | <b>Activities</b>  | <b>Outcomes</b>   | <b>Outcome indicator</b>   |
|---|--|---|--|
| 1. Organization and consultation              | Institutional design and implementation of the REDD+ strategy              | <b>Outcome 1:</b> REDD+ institutional structure in place                                  | Institutional arrangements establishing specific responsibilities for REDD+ management |
|   | Stakeholder Engagement Strategy  | <b>Outcome 2:</b> Stakeholder Engagement Strategy developed and implemented               | Number of stakeholders involved in designing the National REDD+ Strategy               |
| 2. Preparation of REDD+ strategy              | Evaluation of changes in land use and landholding                          | <b>Outcome 3:</b> REDD+ strategy based on analysis of changes in land use and landholding | Diagnostic assessments of changes in land use and landholding                          |
|   | Preparation of REDD+ strategy and its implementation framework             | <b>Outcome 4:</b> National REDD+ Strategy prepared  | REDD+ strategy approved by act of law  |
|   | Preparation of SESA  | <b>Outcome 5:</b> SESA and Environmental Management Framework designed and approved       | Environmental Management Framework being implemented                                   |
| 3. Development of national reference scenario | Support for development of the Standardized Methodological Framework (SMF) | <b>Outcome 6:</b> SMF approved  | SMF used to develop the reference scenario   |
|   | Technical and scientific capacity-building for SMF implementation          | <b>Outcome 7:</b> Technical and scientific capacity generated                             | National (sector) and regional technical groups trained on SMF                         |

| Component   | Activities   | Outcomes  | Outcome indicator  |
|---|--|---|--|
|   | Preparation of the reference levels                  | <b>Outcome 8:</b> National reference level established        | National reference levels developed and proposal for downscaling to regional reference scenarios |
| 4. Development of National Forest Monitoring System | Support for design of REDD+ forest monitoring system | <b>Outcome 9:</b> REDD+ forest monitoring system in operation | Deforestation monitoring and early warning module implemented                                    |

4.5 The total estimated cost of this TC is US\$3.8 million, to be financed by the Forest Carbon Partnership Facility (FCPF). This TC will be executed over a period of 24 months.

**Table 2. Indicative Budget (US\$)**

| Cost category                         | IDB/FCPF         | Counterpart | Total            |
|---------------------------------------|------------------|-------------|------------------|
| <b>I. Administration</b>              | <b>350,000</b>   | -           | <b>350,000</b>   |
| I.1 Support for execution unit        | 350,000          | -           | 350,000          |
| <b>II. Direct costs</b>               | <b>3,100,000</b> | -           | <b>3,100,000</b> |
| II.1 Component 1                      | 450,000          | -           | 450,000          |
| II.2 Component 2                      | 600,000          | -           | 600,000          |
| II.3 Component 3                      | 625,000          | -           | 625,000          |
| II.4 Component 4                      | 1,500,000        | -           | 1,500,000        |
| <b>III. Monitoring and evaluation</b> | <b>200,000</b>   | -           | <b>200,000</b>   |
| <b>IV. Audit</b>                      | <b>75,000</b>    | -           | <b>75,000</b>    |
| <b>Total</b>                          | <b>3,800,000</b> | -           | <b>3,800,000</b> |

## V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The executing agency will be the National Forest Conservation Program for Climate Change Mitigation (PNCBCC), which is an execution unit of the Ministry of the Environment (MINAM). As execution unit, the PNCBCC has economic, administrative, financial, and technical autonomy and is responsible for management, execution, monitoring, and evaluation.
- 5.2 As executing agency for the TC, the PNCBCC will be strengthened through the establishment of a TC coordination unit, to coordinate project activities and oversee the technical quality of the studies and work commissioned with resources of this TC. Prior to the first disbursement of the contribution resources, the PNCBCC will provided evidence that the TC coordination unit has been created with two full-time professional staff, a technical coordinator with experience in managing

international cooperation projects, and a procurement specialist. The PNCBCC will rely on its own administrative structure for fiduciary matters.

- 5.3 The PNCBCC will establish a Steering Committee (SC/FCPF) comprising the Ministry of Agriculture and Irrigation (MINAGRI), the Ministry of Economy and Finance (MEF), the Ministry of Culture (MC), and regional governments, to which each institution will appoint technically qualified personnel. The SC/FCPF, under the leadership of the PNCBCC, will be responsible for reviewing and approving the reports, for which purpose it will meet bimonthly. Establishment of this committee and approval of its terms of reference (roles and duties of its members, internal communication strategy, and decision-making process) will be a special execution condition.
- 5.4 The studies financed in whole or part with the TC resources will be conducted in accordance with the policies for the procurement of goods and works financed by the Inter-American Development Bank (documents GN-2349-9 and GN-2350-9).

## **VI. MAJOR RISKS**

- 6.1 For component 1, the main risk is that the consultations will focus on broader political issues, such as the general dissatisfaction with the low quality of public services in rural areas, rather than concentrating on actions specific to REDD+. To mitigate this risk, the project will contract a firm specialized in public consultation and information. For component 2, there are no material risks. Component 3 is a technical component with meaningful risks relating to the development of a scientifically robust methodology based on data available in Peru. To mitigate this risk, the project will engage a firm specialized in developing baselines. To implement component 4 successfully, the institutions involved (MINAM, MINAGRI, MEF, and the regional governments) will have to expand the scope of sector coordination. As a mitigating measure, the TC is proposing the creation of an interministerial coordination mechanism (see paragraph 5.3).

## **VII. EXCEPTIONS TO BANK POLICY**

- 7.1 No exceptions to Bank policies have been identified.

## **VIII. ENVIRONMENTAL SAFEGUARDS**

- 8.1 This project does not involve any activities that could generate direct social or environmental impacts. However, as its objective is to finance the preparation of policies, plans, and designs for sustainable forest resource management systems, it could indirectly generate social and environmental impacts. Specifically, policy changes could impact the rights of indigenous peoples. This TC has been classified as category “B” under the Environment and Safeguards Compliance Policy (Operational Policy OP-703) (see [Environmental Safeguards](#)). The TC has a specific budget for the implementation of social and environmental safeguards,



following the REDD+ “Common Approach” for safeguards agreed upon with the World Bank and the FCPF Committee.

## **ANNEXES**

Procurement Plan

## **ELECTRONIC LINKS**

[Letter of request from the Ministry of the Environment](#)

[Terms of reference](#)

**PROCUREMENT PLAN**

|   |   |                                      |
|---|---|--------------------------------------|
| <b>Country:</b> Peru                                | <b>Executing agency:</b> National Forest Conservation Program for Climate Change Mitigation (PNCBCC) of the Ministry of Environment (MINAM) | <b>Sector:</b> Public                |
| <b>Project number:</b> PE-T1294                     | <b>Project title:</b> Preparation of the National REDD+ Strategy of Peru  |                                      |
| <b>Period covered by the plan:</b> 24 months        |   |                                      |
| <b>Threshold for ex post review of procurement:</b> | <b>Goods and services (US\$):</b> 400,000   | <b>Consultants (US\$):</b> 3,400,000 |

| Item     | AWP Ref. | Description (1)  | Estimated cost (US\$) | Procurement method (2) | Procurement review (ex ante or ex post) (3) | Source of funds and percentage |         | Date of procurement or contract start | Technical review by PTL | Comments |
|----------|----------|--|-----------------------|------------------------|---|--------------------------------|---------|---------------------------------------|-------------------------|----------|
|          |          |  |                       |                        |   | IDB/MIF %                      | Other % |                                       |                         |          |
| <b>1</b> |          | <b>Administration</b>  |                       |                        |   |                                |         |                                       |                         |          |
|          |          | Technical/operational coordinator  | 200,000               | NICQ                   | Ex ante                                     | 100                            |         | 01/06/14                              | Critical                |          |
|          |          | Natural resource management specialist   | 200,000               | IICQ                   | Ex ante                                     | 100                            |         | 01/06/14                              | Critical                |          |
|          |          | Per diems and travel for technical support   | 30,000                | S                      | Ex post                                     | 100                            |         | 01/06/14                              | Simple                  |          |
|          |          | Procurement of computer hardware (laptops), printers, and licenses                               | 10,000                | S                      | Ex post                                     | 100                            |         | 01/06/14                              | Simple                  |          |
| <b>2</b> |          | <b>Component 1</b>   |                       |                        |   |                                |         |                                       |                         |          |
|          |          | Institutional design for REDD+ strategy (governance)   | 250,000               | QCBS                   | Ex ante                                     | 100                            |         | 04/08/2014                            | Critical                |          |
|          |          | Development and implementation of Stakeholder Engagement Strategy                                | 200,000               | FA                     | Ex post                                     | 100                            |         | 04/08/2014                            | Simple                  |          |
| <b>3</b> |          | <b>Component 2</b>   |                       |                        |   |                                |         |                                       |                         |          |
|          |          | Design of REDD+ strategy and preparation of strategic environmental and social assessment (SESA) | 550,000               | QBS                    | Ex post                                     | 100                            |         | 04/08/2014                            | Critical                |          |
| <b>4</b> |          | <b>Component 3</b>   |                       |                        |   |                                |         |                                       |                         |          |
|          |          | Development of national reference scenario (baseline)  | 550,000               | QBS                    | Ex ante                                     | 100                            |         | 05/02/2015                            | Critical and complex    |          |
| <b>5</b> |          | <b>Component 4</b>   |                       |                        |   |                                |         |                                       |                         |          |
|          |          | Technical supervision/guidance for development of National Forest Monitoring System              | 260,000               | QBS                    | Ex post                                     | 100                            |         | 04/08/2014                            | Critical                |          |

| Item   | AWP Ref. | Description (1)  | Estimated cost (US\$) | Procurement method (2)   | Procurement review (ex ante or ex post) (3) | Source of funds and percentage |                            | Date of procurement or contract start | Technical review by PTL | Comments |
|--|----------|--|-----------------------|--|---|--------------------------------|----------------------------|---------------------------------------|-------------------------|----------|
|  |          |  |                       |  |   | IDB/MIF %                      | Other %                    |                                       |                         |          |
|  |          | Development of National Forest Monitoring System and information on safeguards | 1,200,000             | QCBS   | Ex ante                                     | 100                            |                            | 05/02/2015                            | Critical and complex    |          |
| <b>6</b>   |          | <b>Monitoring, Evaluation and Audit</b>  |                       |  |   |                                |                            |                                       |                         |          |
|  |          | Monitoring and evaluation of project execution and outcomes                    | 200,000               | FA   | Ex post                                     | 100                            |                            | 04/08/2014                            | Simple                  |          |
|  |          | Audit  | 150,000               | QCBS   | Ex post                                     | 100                            |                            | 01/10/2015                            | Simple                  |          |
| <b>Total</b>   |          |  | <b>3,800,000</b>      | <b>Prepared by:</b><br>Eirivelthon S. Lima (RND/CPE)<br>Jaime Fernández-Baca (CCS/CPE) |   |                                | <b>Date:</b> 19 March 2014 |                                       |                         |          |
| <p><sup>(1)</sup> If there are a number of similar individual contracts to be executed at different times, these 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 contracts would be executed. For example, an export promotion project that includes travel to attend events would have an item called “airfare for events.” an estimated value, and an explanation in the comments column: “For approximately four different trips to attend events in the region during period X.”</p>   |          |  |                       |  |   |                                |                            |                                       |                         |          |
| <p><sup>(2)</sup> <b>Consulting firms:</b> <b>CQS:</b> Selection Based on the Consultants’ Qualifications; <b>QCBS:</b> Quality and Cost-based Selection; <b>LCS:</b> Least Cost Selection; <b>FBS:</b> Selection under a Fixed Budget; <b>SSS:</b> Single Source Selection; <b>QBS:</b> Quality-based selection.</p>  |          |  |                       |  |   |                                |                            |                                       |                         |          |
| <p><sup>(2)</sup> <b>Individual consultants:</b> <b>NICQ:</b> National Individual Consultant Selection Based on Qualifications; <b>IICQ:</b> International Individual Consultant Selection Based on Qualifications; <b>SSS:</b> Single Source Selection.</p>   |          |  |                       |  |   |                                |                            |                                       |                         |          |
| <p><sup>(2)</sup> <b>Goods and works:</b> <b>ICB:</b> International Competitive Bidding; <b>LIB:</b> Limited International Bidding; <b>NCB:</b> National Competitive Bidding; <b>S:</b> Shopping; <b>DC:</b> Direct Contracting; <b>FA:</b> Force Account; <b>PSA:</b> Procurement through Specialized Agencies; <b>PA:</b> Procurement Agents; <b>IA:</b> Inspection Agents; <b>PLFI:</b> Procurement in Loans to Financial Intermediaries; <b>BOO/BOT/BOOT:</b> Build, Own, Operate / Build, Operate, Transfer / Build, Own, Operate, Transfer; <b>PBP:</b> Performance-based Procurement; <b>PLGB:</b> Procurement under Loans Guaranteed by the Bank; <b>PCP:</b> Community Participation Procurement.</p> |          |  |                       |  |   |                                |                            |                                       |                         |          |
| <p><sup>(3)</sup> <b>Ex ante/ex post review:</b> 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.</p>  |          |  |                       |  |   |                                |                            |                                       |                         |          |
| <p><sup>(4)</sup> <b>Technical review:</b> The PTL will use this column to identify those procurements considered “critical” or “complex,” which require ex ante review of the terms of reference, technical specifications, reports, outputs, or other items.</p>   |          |  |                       |  |   |                                |                            |                                       |                         |          |