

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC8612

Project Name	Dedicated Grant Mechanism in Peru (P148499)
Region	LATIN AMERICA AND CARIBBEAN
Country	Peru
Sector(s)	Forestry (100%)
Theme(s)	Land administration and management (60%), Indigenous peoples (20%), Other social development (20%)
Lending Instrument	Investment Project Financing
Project ID	P148499
Borrower(s)	Asociación Interétnica de Desarrollo de la Selva Peruana
Implementing Agency	Confederacion de Nacionalidades Amazonicas del Peru
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	11-Jun-2014
Date PID Approved/ Disclosed	11-Jul-2014
Estimated Date of Appraisal Completion	30-Oct-2014
Estimated Date of Board Approval	30-May-2014
Concept Review Decision	Track I - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Peru is the third largest country in South America, with a total area of 1 285 216 km. It is divided into three large geographical regions including the Amazon region that covers nearly 61% of the country. Largely due to the flora and fauna found in the Amazon region, Peru is considered one of the most mega diverse countries in the world and ranks second in South America and ninth in the world in terms of natural forests. However, this high biodiversity is threatened by equally high deforestation rates especially in the Amazon region, which contains 73 million ha or 94% of the forests. Increasing pressure on forest and forest related resources over the last few decades has resulted in growing social conflict as forests are often the main source of revenue and income in the Amazon region and competition for the forest resources is growing. In addition, other non-forest resources found in the Amazon such as oil and gas contribute significantly to Peru's national GDP and their extraction requires some interference with forest resources. The situation is compounded by the limited capacity at the local and sub-regional level to administer and/or enforce regulations

related to forest use and management.

Despite its large geographical size, Peru's Amazon region is sparsely populated with only 13% of the country's total population. It is estimated that approximately 332,957 indigenous peoples live in 1,500 communities and that they belong to 50 different peoples and speak 15 different languages (The indigenous population is likely to be higher; however, the census was not carried out in the most remote areas and does not include peoples living in voluntary isolation or initial contact). Social indicators for Amazonian indigenous peoples are among 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. Average life expectancy can be 15-20 years less than the national average.

Sectoral and Institutional Context

The Forest Investment Program (FIP) provides financing for REDD+ efforts in developing countries in order to address key drivers of deforestation and forest degradation with a focus on transformational change. The FIP Investment Plan for Peru was approved by the FIP Subcommittee in October 2013 and it will support land tenure security, community forestry management and governance in three project areas: Atalaya, Tarapoto–Yurimaguas and Puerto Maldonado–Iñapari. The World Bank is preparing one of the three sub-projects, Integrated Landscape Management in Atalaya, which is expected to be approved in early 2015.

In addition to the loss of environmental and ecosystem services, the degradation of forests substantially increases the vulnerability of forest dependent peoples. An important consideration - although one that is not generally reflected in standard economic analysis - is the role played by forests as a means of subsistence for Amazonian indigenous peoples and other local communities. In the case of indigenous peoples, the Amazon forest and floodplain ecosystems have sustained them for centuries and the forests continue to provide ecosystem services such as water and erosion control that are very important for their subsistence based agriculture and food security.

While REDD+ has great potential to directly benefit indigenous peoples and other forest dwelling peoples by providing formal recognition and financial incentives for sustainable forest stewardship and management, it is well understood that one of the prerequisites for a functioning REDD+ mechanism is land tenure security and clarity regarding usufructory (Usufruct is a right of enjoyment, enabling a holder to derive profit or benefit from property that is either titled to another person or which is held in common ownership as long as the property is not damaged or destroyed) and ownership rights over the natural resources. This is becoming increasingly important as some independent project developers, colloquially called "carbon cowboys" in Peru, are penetrating remote areas of the Amazon and attempting to strike deals directly with communities that may not offer the most favorable terms and that do not guarantee respect for indigenous peoples rights to use and access the resources in their territories. Some argue that in the absence of formally recognized access and use rights for indigenous peoples and local communities (IPLC), REDD+ may actually represent a threat to the survival of these communities especially those living in the Amazon rather than an opportunity to benefit from any of the social and economic incentives associated with REDD+.

In order to address deforestation and degradation in the Amazon, investments will be made in Atalaya, Tarapoto-Yurimaguas and Puerto Maldonado-Inapari in order to address the following: i) Legalization, titling and registration of property rights; ii) Improvement of forest and environmental governance; iii) Enhancement of the value of environmental assets of forests and degraded areas;

and iv) Innovation and market development. Atalya, Tarpoto-Yurimaguas and Puerto Maldonado-Inapari These areas were prioritized as having the greatest impact on the reduction of emissions and the highest potential for social and environmental co-benefits.

Source: FIP Concept Note - Preparation of Peru Dedicated Grant Mechanism for Indigenous Peoples and Local Communities

Relationship to CAS

The 2012-2016 CAS reflects a commitment to address climate change by strengthening institutional and technical capacity at different decision-making levels and promoting more inclusive growth overall. While Peru's economic growth, which has been remarkable in the last decade, has helped reduce overall poverty rates, a significant proportion of the population still lags behind. In fact, the CAS indicates that the indigenous population, which accounts for one-third of Peru's total population and a large percentage of the rural population, persistently demonstrates higher rates of poverty than the national average.

This Project will directly support both the climate change and the shared prosperity agendas. It will support climate change mitigation by investing in the legal protection and capacity building necessary to empower the communities that have traditionally lived in and cared for the forests in the Peruvian Amazon which will ensure that it continues to be one of the most important land based carbon sinks for greenhouse gases (GHG) in South America. At the same time, by improving land tenure security and clarity regarding use rights of forest resources combined with capacity building and the preparation of community forestry management plans, the Project will significantly enhance the livelihoods of indigenous communities in the Amazon, many of whom live under the poverty line and face multiple economic and social barriers. Component 3 will support improving governance at the sub-regional level in order to assist these communities to articulate their common vision for development or good living ("Buen Vivir") and ensure that any land titling and forestry sub-projects are consistent with this vision. By targeting indigenous peoples as the main beneficiaries and by using a highly participatory methodology that will allow them to increase their effective participation in decision-making and project management as it relates to natural resources, this project is expected to address climate change mitigation and have a strong impact on inclusive growth as outlined in the CAS.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The Project Development Objective for the Global Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (Global DGM) is to, "strengthen the role of Indigenous Peoples and Local Communities (IPLCs) in the FIP and other REDD+ programs at local, national and global levels by supporting capacity building and demand-driven initiatives of IPLCs."

The Project Development Objective for the Peru DGM is to increase land tenure security and improve local capacity and governance to manage forest related resources in eight key areas in the Amazon region.

Key Results (From PCN)

Objectives and Results

Reduce the threat of deforestation in key areas in 8 regions in the Amazon by improving land tenure security

- of traditional territories registered and demarcated by end of project
- of titles registered by sub national governments by end of project
- total hectares of land titled by end of project

Improve local capacity and governance to manage forest related resources in 8 regions in the Amazon

- of communities with community management plans and/or “life plans”(planes de vida)
- of communities implementing a community forestry project outlined in their life plans by the end of the project
- of women leading community forestry projects by the end of the project
- % increase in productivity for forests under a community management plan or “life plan”
- of grievances successfully resolved by the GRM established for the Project
- % increase in core livelihood indicators (to be defined in collaboration with the National Steering Committee (NSC) and will reflect indigenous peoples and local communities own development priorities that will be measured during project implementation)

III. Preliminary Description

Concept Description

The Dedicated Grant Mechanism (DGM) is a special initiative under the FIP. It was established at the request of IPLCs to support their participation in the FIP and other REDD+ strategies and programs. The basic design for the DGM was defined by representatives of IPLCs from all eight FIP pilot countries during a two year participatory design and consultation process. The final version of the basic DGM design and foundational documents such as the Framework Operational Guidelines (FOG) were endorsed by IPLC representatives in October 2011 and September 2013 respectively.

In Peru, a National Steering Committee (NSC) composed of ten representatives from the two national indigenous organizations, The Interethnic Development Association of the Peruvian Rainforest (AIDSESP) and National Amazonian Confederation of Peru (CONAP), was established during a national meeting held in July 2013. The members of the NSC and its Terms of Reference were endorsed by the Government of Peru in a letter to the Bank in September 2013. The NSC is the Bank’s main counterpart for the preparation of the DGM. Consistent with the focus and components outlined in the FIP Investment Plan, the NSC has proposed the following components for the Peru DGM: i) Land titling for native communities (approx. \$2M) in Loreto (except Alto Amazonas which is being financed under the FIP), Ucayali (except Atalaya which is being financed under the FIP), San Martin (except Tarapoto which is being financed under the FIP), Junín, Pasco, Amazonas and Madre de Dios; ii) Preparation and implementation of community forestry management plans (approx. \$2M) in Loreto, Ucayali, San Martin, Junín, Pasco, Amazonas, Ayacucho, Huánuco y Cusco; and iii) Strengthening governance and increasing local capacity (approx. \$1M) with a particular focus on indigenous communities and organizations in the Project area. The Project area and activities were prioritized in the FIP Investment Plan as having the greatest potential impact for reducing deforestation and the highest possibility for social and environmental co-benefits. The number and exact locations of the sub-projects will be defined prior to appraisal and the indigenous federations will be responsible for implementation of the sub-projects.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36	x		
Pest Management OP 4.09			x
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	5.50	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
Strategic Climate Fund Grant			5.50
Total			5.50

VI. Contact point

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