

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA23015

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| <b>Project Name</b>                                   | Dedicated Grant Mechanism in Peru (P148499)  |
| <b>Region</b>   | LATIN AMERICA AND CARIBBEAN  |
| <b>Country</b>  | Peru   |
| <b>Sector(s)</b>                                      | Forestry (40%), Public administration- Agriculture, fishing and forestry (60%)                   |
| <b>Theme(s)</b>                                       | Indigenous peoples (40%), Other social development (20%), Rural non-farm income generation (40%) |
| <b>Lending Instrument</b>                             | Investment Project Financing   |
| <b>Project ID</b>                                     | P148499  |
| <b>Borrower(s)</b>                                    | World Wildlife Fund  |
| <b>Implementing Agency</b>                            | World Wildlife Fund  |
| <b>Environmental Category</b>                         | B-Partial Assessment   |
| <b>Date PID Prepared/Updated</b>                      | 10-Mar-2015  |
| <b>Date PID Approved/Disclosed</b>                    | 20-Apr-2015  |
| <b>Estimated Date of Appraisal Completion</b>         | 05-May-2015  |
| <b>Estimated Date of First Grant Approval</b>         | 31-Aug-2015  |
| <b>Appraisal Review Decision (from Decision Note)</b> |  |

## **I. Project Context**

### **Country Context**

Peru is the third largest country in South America, with a total area of 1 285 216 sq.km. It 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. The largest of the three biological regions is the Amazon, which covers nearly 61% of the country and contains 73.3 million ha or 94% of the country's forests. Of this total, approximately 15 million hectares are currently either owned or managed by native communities.

Despite its large geographical size, the Amazon region is sparsely populated with only 13% of the country's total population; there are approximately 2400 "ribereno" communities, 128 campesino communities and 2250 indigenous communities. Migrants from the highlands known as "colonos" are also present in the Amazon region in limited numbers. Although social indicators are low for most of the people living in the Amazon, they are among the lowest in the country for Amazonian indigenous peoples 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 for Amazonian indigenous peoples is 15-20 years less than the national average.

The impressive biodiversity found in Peru is threatened by high deforestation rates especially in the Amazon region. FAO suggests an annual deforestation average of 150,000 ha between 2005-2010, which is equivalent to an annual deforestation rate of 0.14%. This is not high in the context of global deforestation rates but it is significant given the scale and status of Peru's forests.

Deforestation currently causes about half of Peru's greenhouse gas emissions (d.i.e./GDI 2014). Peru's Forest Investment Plan (PIP) indicates that the main drivers of deforestation are migration and agricultural expansion, infrastructure such as road construction and unregulated timber extraction. According to the PIP, most deforestation occurs in areas without legally assigned rights to land and that territorial reserves including indigenous lands and natural protected areas consistently have the lowest deforestation rates.

Peru has a relatively strong legal framework regarding the rights of indigenous peoples. Under Peruvian law, all native communities have the right to be recognized and to have their collective territories demarcated and titled. While there has been some progress in the titling of indigenous lands - 6,453 native and campesino communities have been titled since 1921 - political will (or lack thereof) and low capacity including limited resources has influenced the speed with which the remaining 1166 native communities are being titled. [add rights to resources including forest] In 2012, the Law on Prior Consultation was approved through a Supreme Decree. It requires that indigenous peoples are consulted prior to adopting any legislative or administrative measures that could directly affect their collective rights, physical survival or quality of life, cultural identity or development. The purpose of prior consultation, according to the law, is to reach an agreement or consent between the State and indigenous peoples. The language of the Law on Prior Consultation reflects indigenous rights contained in ILO Convention 169 and the UN Declaration on the Rights of Indigenous Peoples. Both documents require respect for the cultures and spiritual values of indigenous peoples regarding their relationship with their land or territories, recognize the right of ownership and possession of the lands they traditionally occupy and the responsibility of States to safeguard and ensure the effective protection of these rights.

### **Sectoral and institutional Context**

Forests provide a wealth of public services and private goods and services, including carbon storage, biodiversity, water filtration, storm mitigation, timber and non-timber products, wild foods and medicine and tourism (CGD, 2014). In addition, Indigenous peoples retain a close relationship with the forests not only for their livelihoods and subsistence but also for their cultural and spiritual wellbeing. For them, the Amazon forest is also an important source of materials for construction and tools, fibers for weaving clothing as well as traditional sources of medicine and food and the Amazon forest and floodplain provide ecosystem services such as water for irrigation and erosion control that are critical for subsistence based agriculture and food security.

The natural resource-rich Amazon is increasingly a magnet for companies seeking timber, oil and gas, and minerals as well as large industrial farms and ranches. Forests in Peru are being cleared for easier access to these resources and in order to build the infrastructure that is needed to access them. Construction of roads in particular encourages other development and migration to areas that were previously inaccessible or at least somewhat isolated. Government officials who grant concessions often assume that low population density means the land is uninhabited, especially if the land is not

titled. This has resulted in violent conflict when migrants or concessionaires (legal and illegal) come into contact with the people living in these areas.

In addition to being exposed to the threat of violence, the combination of increased pressure and the continuing demand for land and access to resources negatively impacts the ability of the people living in these areas to continue to live their traditional ways of life. Indigenous people are being forced to migrate within their traditional territories to less productive areas and some communities are being confined to areas already titled but which may be too small to support their traditional farming methods. For example, with land in short supply, they cannot let fields “rest” between crops for as long as they did in the past so soil fertility and productivity are declining. Lower productivity means limited yield which decreases the amount of produce available for subsistence and trade; all of which increases the vulnerability and poverty of resource dependent communities.

Reducing Emissions from Deforestation and Forest Degradation or REDD/+ is one of the latest in a series of incentive-based mechanisms that seeks to offer substantial economic incentives for the sustainable use and conservation of forests while also trying to address the drivers of deforestation and forest degradation. Peru is a member of two major REDD+ mechanisms; they joined the Forest Carbon Partnership Facility (FCPF) in 2008 and were selected as one of the pilot countries for the Forest Investment Program (FIP) in 2010. Indigenous peoples in Peru have taken a strong and consistent position on REDD+ indicating that there can be no successful REDD+ mechanism in Peru without basic enabling conditions such as the better recognition and enforcement of their collective rights. They are promoting REDD+ Indigena Amazonica (RIA) which they explain is a more integrated and holistic approach that focuses on better governance and management of forest resources rather than the selling of carbon credits.

## II. Proposed Development Objectives

The Principal 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 Saweto DGM is to support Indigenous Peoples in the Peruvian Amazon in their efforts to establish the enabling conditions for sustainable forest management practices.

## III. Project Description

### Component Name

Native Land Titling

### Comments (optional)

This component will finance the administrative and legal steps required for native community titling in 7 regions in the Amazon. The component will finance both recognition and registration as well as demarcation and titling.

### Component Name

Indigenous Forestry Management

### Comments (optional)

The component will finance small scale community-based productive subprojects that contribute to

sustainable forest management and improve food security and income generation in 8 regions in the

**Amazon.**  
**Component Name**

Project Management, Monitoring and Evaluation

**Comments (optional)**

This component will support the overall governance of the DGM and the day to day administration and financial management of DGM resources.

**IV. Financing (in USD Million)**

|                                 |      |                       |               |
|---------------------------------|------|-----------------------|---------------|
| Total Project Cost:             | 5.50 | Total Bank Financing: | 0.00          |
| Financing Gap:                  | 0.00 |                       |               |
| <b>For Loans/Credits/Others</b> |      |                       | <b>Amount</b> |
| Borrower                        |      |                       | 0.00          |
| Strategic Climate Fund Grant    |      |                       | 5.50          |
| Total                           |      |                       | 5.50          |

**V. Implementation**

**VI. Safeguard Policies (including public consultation)**

| <b>Safeguard Policies Triggered by the Project</b> | <b>Yes</b> | <b>No</b> |
|--|------------|-----------|
| 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         |

**Comments (optional)**

**VII. Contact point**

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