Early Warning System

WB-P510895

Program for Resilient, Inclusive, and Sustainable Forestry in Peru

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Quick Facts

Countries	Peru
Financial Institutions	World Bank (WB)
Status	Proposed
Bank Risk Rating	B
Voting Date	2027-03-01
Borrower	Ministry of Economy and Finance
Sectors	Agriculture and Forestry, Finance
Investment Type(s)	Loan
Investment Amount (USD)	$ 110.00 million
Loan Amount (USD)	$ 110.00 million
Project Cost (USD)	$ 160.00 million

Project Description

According to the WB, PRISFOR's theory of change treats deforestation in Peru's Amazon and Andes as a competitiveness problem. Forest communities hold abundant resources, including those tied to five prioritized timber and non-timber value chains with documented domestic and export demand. Yet they capture little of the value. Forestry is the main income source for only 8 percent of surveyed communities, and household income averages under US$300 a month. Communities sell raw, wet or unsorted products to intermediaries because they lack legal management instruments, post-harvest technology, organization, market information and business skills. Private firms face high costs to source from dispersed, informal producers, so they underinvest. Forest authorities lack the staff, equipment and information systems to reach communities. Agricultural expansion, illegal logging and wildfires erode the resource base further, and sustainable livelihoods cannot compete with short-term returns from conversion.PRISFOR is the core operation of an integrated package for Peru's forest landscapes. It is financed by a US$100 million IBRD loan, US$50 million in government counterpart funding and a US$10 million PROGREEN grant. It targets ten landscapes across Cusco, Huanuco, Junin, Pasco, San Martin and Ucayali. These were selected through geospatial analysis, field visits and local consultations. Restoration will cover about 50,000 hectares of degraded land, and community forest management support will reach 123 communities.The project works through two reinforcing pathways. The first is restoration and agroforestry, which will rebuild the resource base, recover biodiversity and carbon, improve water regulation and reduce vulnerability to climate shocks. PROGREEN pilots in Junin's Andes-Amazon transition zone will test community-led restoration and payments for ecosystem services. The second pathway is value chain development. It follows a deliberate sequence: legalize and organize supply, then improve handling and quality, then connect producers to buyers and formal finance. Support includes access to simplified forest management plans (DEMA), technical assistance, equipment, traceability systems and market services.The five prioritized chains are timber, tara, una de gato, aguaje and sangre de grado. In 2023, Peru exported US$42.6 million of sawn wood and US$47.1 million of tara powder. Each chain faces a distinct bottleneck, and the project will respond with tailored tools. Examples are solar dryers for una de gato, portable sawmills, resin purification equipment and stainless-steel pulpers for aguaje, which otherwise loses up to 80 percent of freight to waste. By lowering supply-side transaction costs, the project expects to crowd in private investment.The development objective is restored ecosystem functionality and increased income from formal value chains for rural communities. A key target is raising formal-channel sales from 20 to 70 percent among supported production units. The project also aims to create more and better jobs, especially for women. Four assumptions underpin this logic: communities have secure tenure or use rights before investment; beneficiaries adopt and maintain the practices; forest authorities sustain services after closure; and private actors engage once supply is legal, organized and quality-assured. Early buyer engagement mitigates the last risk.Three initiatives complement PRISFOR. The embedded PROGREEN grant extends work to the upper Mantaro and Perene watersheds. A SCALE grant would support jurisdictional REDD+ across nearly 8 million hectares. A US$50 million GCF investment under Amazonia Viva would reach 1,249 indigenous communities across 10.9 million hectares. The design also reflects lessons from earlier forest operations (FIP and DGM): early engagement with Indigenous organizations, locally based extension and clear post-project responsibilities.Component 1 (IBRD US$59.23 million; GoP US$29.61 million; PROGREEN US$10 million) covers restoration and sustainable production. It finances ecological restoration with nurseries, fire brigades and erosion control. It also funds agroforestry systems, certified extensionists and monitoring tools, and the PROGREEN watershed and financing pilots in Junin. Component 2 (IBRD US$30.84 million; GoP US$15.42 million) covers community forest management and value chains. It finances community governance and forest permits, harvesting and primary processing, business and market access support, and stronger public extension services, including a mobile traceability app. Component 3 (IBRD US$9.93 million; GoP US$4.97 million) finances the Project Management Unit within SERFOR, fiduciary and safeguards functions, and results monitoring, including GHG and inclusion outcomes. Component 4 is a contingency emergency response component with no allocation. It would let the Government reallocate funds after an eligible emergency, such as El Nino, wildfires or landslides.

Investment Description

- World Bank (WB)

Contact Information

ACCESS TO INFORMATION

To submit an information request for project information, you will have to create an account to access the Access to Information request form. You can learn more about this process at: https://www.worldbank.org/en/access-to-information/request-submission

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The World Bank Inspection Panel is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by a World Bank-financed project. If you submit a complaint to the Inspection Panel, they may investigate to assess whether the World Bank is following its own policies and procedures for preventing harm to people or the environment. You can contact the Inspection Panel or submit a complaint by emailing ipanel@worldbank.org. Information on how to file a complaint and a complaint request form are available at: https://www.inspectionpanel.org/how-to-file-complaint

Bank Documents

- Concept Project Information Document (PID)