PUBLIC
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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PERU

FOREST INVESTMENT PROJECTS IN PERU

(PE-L1232 AND PE-G1003)

LOAN PROPOSAL

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ABBREVIATIONS

AIDESEP	Asociación Interétnica de Desarrollo de la Selva Peruana [Inter-Ethnic Association for Development of the Peruvian Jungle]
AWP	Annual work plan
CDT	Conditional direct transfer
CIF	Climate Investment Fund
CONAP	Consejo Nacional de Pueblos [National Council of Indigenous Peoples]
CSC	Community surveillance committees
DIGESPARC	Dirección General de Saneamiento de la Propiedad Agraria Rural [Bureau for the Regularization of Rural Agricultural Property]
ENBCC	Estrategia Nacional de Bosques y Cambio Climático [National Strategy for Forests and Climate Change]
ESMP	Environmental and social management plan
ESMR	Environmental and social management report
FIP	Forest Investment Program
FOM	Functions operations manual
GHG	Greenhouse gas
MEC	Municipal environmental commission
MINAGRI	Ministry of Agriculture and Irrigation
MINAM	Ministry of the Environment
MMCB	Módulo de Monitoreo de la Cobertura de Bosques [Forest Cover Monitoring Module]
NDC	Nationally determined contributions
OSINFOR	Organismo de Supervisión de los Recursos Forestales [Forest Resources Monitoring Agency]
PMT	Project management team
PNCBMCC	Programa Nacional de Conservación de Bosques para la Mitigación del Cambio Climático [National Forest Conservation Program for Climate Change Mitigation]
REA	Regional environmental authority
REC	Regional environmental commission
SCX	Strategic Climate Fund
SERFOR	National Forest Service
SESA	Strategic Environmental and Social Assessment
SFU	Small forest users
SGF	Social governance framework
SMLMDD	San Martín, Loreto, and Madre de Dios

PROJECT SUMMARY

PERU
FOREST INVESTMENT PROJECTS IN PERU
(PE-L1232 and PE-G1003)

<table>
<tr><th colspan="5">Financial Terms and Conditions:</th></tr>
<tr><td colspan="3">Borrower: Republic of Peru</td><td>Amortization period:</td><td>40 years</td></tr>
<tr><td colspan="3" rowspan="2">Executing agency: National Forest Conservation Program for Climate Change Mitigation (PNCBMCC)</td><td>Disbursement period:</td><td>5.5 years</td></tr>
<tr><td>Grace period:</td><td>10.5 years</td></tr>
<tr><td>Source</td><td>Amount (US$)</td><td>%</td><td rowspan="2">Principal repayments:</td><td>Years 10.5 - 20: 1% per six-month period</td></tr>
<tr><td>PE-L1232 – Strategic Climate Fund loan (SCX – FIP)</td><td>16,800,000</td><td>46.28</td><td>Years 20.5 - 40: 2% per six-month period</td></tr>
<tr><td>PE-G1003 – SCX – FIP grant:[a]</td><td>19,500,000</td><td>53.72</td><td>FIP service fee:[b]</td><td>0.25%</td></tr>
<tr><td>Total:</td><td>36,300,000</td><td>100.00</td><td>Approval currency:</td><td>United States dollars</td></tr>
<tr><th colspan="5">Project at a Glance</th></tr>
<tr><td colspan="5">Project objective/description: The operation’s objective is to contribute to the national targets set to reduce the greenhouse gas (GHG) emissions resulting from deforestation in the Peruvian Amazon.</td></tr>
<tr><td colspan="5">Special contractual conditions precedent to first loan disbursement: (i) approval and entry into force of the PNCBMCC’s functions operations manual (FOM) that responds to the design of the operation under the terms and conditions previously agreed with the Bank (paragraph 3.1); (ii) creation and formation of the working group known as the steering committee (paragraph 3.4); (iii) creation and formation of the National Advisory Committee in accordance with the project Operating Regulations, the Environmental and Social Management Plan (ESMP), and the Social Governance Framework (SGF) (paragraph 3.6); (iv) structuring and selection of key project management team (PMT) personnel, through a competitive process, under the terms set out in the project Operating Regulations, including a social specialist and an environmental manager for implementation of the ESMP (paragraph 3.7); and (v) approval and entry into force of the project Operating Regulations, which include the ESMP and SGF as an annex, under the terms previously agreed with the Bank (paragraph 3.2).
Special contractual conditions for execution: See the Environmental and Social Management Report (ESMR) (required link 3) and Annex III for the special conditions for execution.</td></tr>
<tr><td colspan="5">Exceptions to Bank policies: None.</td></tr>
<tr><th colspan="5">Strategic Alignment</th></tr>
<tr><td>Challenges:[c]</td><td colspan="4">SI ☑ PI ☐ EI ☐</td></tr>
<tr><td>Crosscutting issues:[d]</td><td colspan="4">GD ☑ CC ☑ IC ☑</td></tr>
</table>

[a] The financial terms and conditions described apply only to the concessional part of the loan; the grant is nonreimbursable. The disbursement periods are the same for both types of financing.

[b] The service fee is charged on the disbursed and outstanding balance of the loan. Principal repayments and service fee payments are made every six-month period to the Forest Investment Program (FIP) trust fund.

[c] SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

[b] GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and the Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING[1, 2]

A. Background, problem addressed, and rationale

1.1 **Deforestation dynamics in Peru.** Peru is regarded as one of the most biodiverse countries in the world, especially in the Amazon region of the country. However, this wealth is being threatened by factors including deforestation. On average, nearly 120,000 hectares were lost per year between 2001 and 2014, which has resulted in nearly 53 million tons of CO_2 emissions a year. According to the Ministry of the Environment (MINAM), deforestation was the main source of greenhouse gas (GHG) emissions in the country, accounting for 51% in 2012 (MINAM, 2016a). Data for 2001-2014 show that 45% of deforestation occurred on land with no assigned property rights (MINAM, 2016c).

1.2 Land-use changes for agricultural expansion, especially in small- and medium-sized farms, is the primary cause of deforestation in the Peruvian Amazon (91.5% of the total area). Other causes of deforestation are as follows: (i) artisanal and industrial mining (5.8%); (ii) roads, highways, hydropower, and hydrocarbons (0.3%); and (iii) coca cultivation (2.3%). In terms of the size of forest units deforested annually, 77% of annual deforestation during the 2001-2014 period occurred in units smaller than five hectares, which was largely related to the expansion of smallholder farming, while 20% of deforestation took place in units measuring between 5 and 50 hectares. Areas larger than 50 hectares accounted for the remainder, possibly linked to the planting of agroindustrial crops (MINAM, 2016b).

1.3 In the Peruvian Amazon, there are 3.5 million hectares of forest at risk of being deforested, in most cases because of their proximity to access roads and/or already deforested areas. Of this area, 1.6 million hectares are located in the departments of San Martin, Loreto, and Madre de Dios (SMLMDD). In these departments, nearly 500,000 hectares were lost between 2010 and 2016 (at a deforestation rate of 0.32% per year, higher than the national average of 0.22%) (GeoBosques, 2017).

1.4 **REDD+ implementation strategy and legal framework in Peru**. The operation is part of the REDD+ implementation strategy in Peru through the National Strategy for Forests and Climate Change (ENBCC) and finances three of this strategy's objectives: (i) create incentives to conserve forests; (ii) increase the area of forest with clear property rights; and (iii) implement an effective forest monitoring system. In 2016 Peru approved the ENBCC (Supreme Decree 007-2016-MINAM), which defines a long-term vision through 2030 and organizes various public- and private-sector actions to reduce GHG emissions and its people's vulnerability to climate change. The ENBCC is aligned with the National Climate Change Strategy, nationally determined contributions (NDCs) and other management tools. The NDCs

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1 The references made in the document are available in optional link 1.

2 The operation consists of three public investment projects approved under the National System for Multiyear Investment Programming. The investment projects entitled "Improving services to support the sustainable use of ecosystem biodiversity in the forest landscape of the Tarapoto – Yurimaguas corridor in the departments of San Martín and Loreto" and "Improving services to support the sustainable use of ecosystem biodiversity in the forest landscape of the Puerto Maldonado – Iñapari corridor and the area of the Amarakaeri Communal Reserve in the department of Madre de Dios" correspond to Component I of Forest Investment Projects in Peru, and the investment project entitled "Improving the environmental information service for mapping deforestation in the Amazon forests of Peru" corresponds to Component II thereof.

set a target of a 30% reduction in GHG emissions by 2030 and identifies forests and agriculture as priority areas for achieving this target (Republic of Peru, 2015).[3]

1.5 The legal framework for the ENBCC and forest management is based on the Forestry and Wildlife Law (Law 29763) and the Native Communities and Agrarian Development Law for the Selva and Ceja de Selva Regions (Decree Law 22175). The Forestry Law recognizes the multiple uses of forests and their diverse users, i.e. indigenous peoples and other traditional users of forest and wildlife resources, as well as other economic agents in the forest sector. It regulates forest zoning and management processes, the allocation of rights to each agent or forest user in forests within the public domain, the obligation to ensure management plans are in place, the definition of the institutional framework for forests, the creation of community surveillance committees (CSCs) and oversight and control mechanisms. The Native Communities Law sets forth a classification of land use capacity as a method to determine whether community lands can be titled or not. Under this arrangement, only community lands that are classified as suitable for agriculture or pasture may be titled. In lands classified as forests, usufruct rights may only be granted through transfers of land-use rights. In addition, management plans are required to extract commercially valuable forest products.

1.6 In October 2013, as part of the REDD+ implementation strategy, a diagnostic assessment was conducted of the main deforestation variables in Peru. This study, which included two-stage spatial, environmental, and socioeconomic analyses, made it possible to: (i) identify deforestation fronts; and (ii) analyze deforestation factors (which included variables relating to: (1) deforestation, (2) degradation, (3) carbon storage, (4) biological diversity, (5) the presence of native communities, and (6) land use value). An index was calculated for each criterion, which were combined with the geospatial information. Criteria (1), (2), and (3) were combined to obtain a GHG emissions proxy. Criteria (4) and (5) were used to obtain co-benefit proxies. Using these indices, an order of priority was constructed using the following equation: Priority = (((1+2)*3)*(4+5)))*6. As a result, the Yurimaguas-Tarapoto and Puerto Maldonado-Iñapari corridors, including the Amarakaeri communal reserve in the SMLMDD departments, were identified as priority areas for intervention to reduce deforestation.

1.7 **Key problem addressed**. The key problems associated with deforestation and GHG emissions identified during the diagnostic assessment are: (i) incentives for land-use changes, including the failure to assign property rights, the costs of market participation, and the relative profitability of forestry activities; and (ii) weak institutions for forest resource management, including a lack of timely information and weak local forest governance.

1.8 Unclear property rights. The need to address the legal and land tenure status and forest rights is paramount to and urgent for forest conservation in Peru (MINAM, 2016c). The diagnostic assessment conducted by the PNCBMCC shows that 38,500 hectares of communities lack titles and are not even recognized in the project area (optional link 2 and optional link 3). In addition, the preliminary assessments by the Ministry of Agriculture and Irrigation (MINAGRI) show that, for San Martín and

[3] The intended nationally determined contributions became an NDC when the Government of Peru ratified the Paris Agreement (Supreme Decree 058-2016-RE, 22 July 2016).

Loreto, there are approximately 20,000 individual plots of land and 600 native communities to be titled. In the SMLMDD departments, the areas with less clearly defined property rights (conflict areas, unassigned areas and areas in the process of being defined) are those with the highest rates of deforestation (88.6 thousand hectares, 38.8% of the total area). The lack of clarity in property rights has led to conflicts, especially between native and migrant communities, which arise from the agricultural and forest use of forests included in the land claims of native communities.

1.9 The importance of the type of tenure frequently arises in the literature, which cites its relationship with socioeconomic and environmental considerations. Greater certainty in ownership is correlated with lower deforestation (Blackman et al., 2017) and results in fewer conflicts and greater conservation of natural resources (Robinson et al., 2014), as well as higher investment (Ferreti-Gallon and Busch, 2017; Lawry et al., 2014; Deininger et al., 2011) and income for beneficiaries (Lawry et al., 2014). Forest areas managed by native communities have lower rates of deforestation (Miranda et al., 2016; Blackman, 2015). In addition, native communities that have greater certainty about ownership and access to finance are more likely to increase the value of the forest than alternative land uses. For instance, studies in Brazil (Silva et al., 2006) and Ecuador (Kovasic et al., 2017) show that it is possible to increase the value of forests through sustainable practices without changing the type of land use.

1.10 Costs of use and market participation. Sears and Pinedo-Vásquez Vásquez (2011) noted that a more important factor than certainty about land ownership is the prohibitive cost associated with obtaining an extraction permit, especially for native communities. In this case, the high costs for this permit facilitate the practices of *habilitación* (“enabling”), under which illegal logging results in a source to finance the permit for native communities. For native communities, the cost of securing permits can be prohibitive, representing the entire household income for one year (US$20,000 for a group of 20 families).

1.11 Profitability of agriculture vis-à-vis forestry. Land-use change, especially for small-scale farmers, is the main driver of deforestation in the project area (optional link 2 and optional link 3). The profitability of forestry (timber and nontimber products) in rural areas of the SMLMDD departments is low compared to agricultural activities. The impact evaluation of the Agroideas project shows that, for the project area, the income per hectare of agricultural activities is 1,919 soles, whereas it is only 342 soles for agroforestry. Also, the 2016 National Household Survey showed that 69% of families in the SMLMDD departments engage in some agricultural activity with low average productivity (69% lower than other departments in the Amazon region), partly due to soil quality, the area’s forestry activity (optional link 4), and the lack of technical assistance. The National Agricultural Census shows that only 5% of households in the SMLMDD regions have access to finance and technical assistance, which limits their productivity. At the international level, an impact evaluation of a Bank-financed project in Nicaragua showed that incentives to adopt forestry- and agroforestry-related technologies increased the beneficiaries’ income by US$195 per household per year and increased the forest area by 3 ha per farm (M. González, 2017), thereby reducing the gap between returns on agricultural and on agroforestry activities.

1.12 MINAM studies (optional link 2 and optional link 3) show that only 10% of the members of productive initiatives in the project area are women. The 2012 National Agricultural Census also shows that female heads of household receive less technical assistance for productive work than men (2% vs. 5% for men). In a systematic review of the literature, Haverhals et al. (2016) found that higher participation by women in productive decisions and value chains results in higher income and higher sales for producer groups.

1.13 Information on the forest cover for decision-making purposes is limited. Strengthening monitoring systems, particularly with an approach that involves subnational governments and indigenous communities, is a strategic action to reduce deforestation in Peru (MINAM, 2016c). Reducing deforestation also requires monitoring platforms to aid the decision-making process (Romjin et al., 2015; Goetz et al., 2015) and capacity-building (Romjin et al., 2015). However, the Forest Cover Monitoring Module (MMCB) does not include information that complements deforestation dynamics, such as data on land that is titled or in the process of being titled (by the Bureau for the Regularization of Rural Agricultural Property (DIGESPARC)), data on forest concessions and land use agreements (by the National Forest Service (SERFOR)), and forest use permits (by the Forest Resources Monitoring Agency (OSINFOR)). The institutions using the information on forest cover (MINAGRI, the Specialized Environmental Prosecutor's Office, regional governments, municipal governments, the Ministry of Energy and Mines, etc.) face difficulties in using the data generated by the MMCB to facilitate planning and control processes.

1.14 The Environmental Law (Law 28611 of 2005) created regional environmental authorities (REA) and regional environmental commissions (REC) at the departmental level. At municipal level, the same law created municipal environmental commissions (MEC). In the project area, the San Martín regional government alone supports the operation of the RECs and none of the MECs are operational. Furthermore, the regional governments need to train and increase the number of staff on their regional departments of agriculture and REAs and to get local communities involved in deforestation surveillance and monitoring activities. At present, 70% of Peru's Amazon area has effective forest cover monitoring, but no forest degradation or land-use change analysis has begun.

1.15 This additional effort requires highly trained staff. Sears and Pinedo-Vásquez (2011) hold that forestry and wildlife authorities (under the regional governments) face a lack of financial and personnel resources to implement an efficient monitoring system, resulting in an inefficient monitoring system that focuses primarily on the movement of timber. Completing the area being monitored and trained personnel are necessary to: (i) implement a real-time surveillance system; (ii) generate information with the accuracy necessary to facilitate control in the field; and (iii) meet international forest monitoring commitments.

1.16 Weak local forest governance. Regional governments are responsible for managing and controlling forest resources, issuing permits, and providing technical assistance

to forest users, including native communities and small forest users (SFUs).[4] However, their resources are limited. On average, regional governments finance 30% of their staff with external financing (usually grants), and their staff controls and manages forest and wildlife resources at 37.8 km^2 of forest per person, while the average for Latin America and the Caribbean is 27.6 people per km^2 (James et al., 1999).

1.17 Community forest management has been implemented mostly through local development plans called life plans. With support from USAID and other donors, the regional governments and MINAM have prepared more than 40 life plans in San Martín and Loreto. Through a participatory process, life plans facilitate the planning of investments necessary to improve the community's living conditions. This includes investments in health, education, connectivity, productive infrastructure, training, and monitoring of the community area through the CSCs. CSCs are part of the National Environmental Information System, which generates field information that verifies geospatial information. However, the Forestry Law does not provide for the financing of CSCs under the assumption that the communities themselves will bear the operating costs. In addition, the opportunity cost of community surveillance can represent a significant portion of household income, especially in communities that manage large areas. For the native communities of the SMLMDD, this may represent, on average, 32 days per CSC member per year, i.e. nearly 13% of the working days in the year.

1.18 **Conceptua overview of the operation:** This operation contributes to solving the problems identified during the diagnostic assessment: (i) enhance the value of the forest vis-à-vis agricultural activities through technologies that exploit renewable natural resources; (ii) reinforce the legal certainty of ownership of native communities; (iii) build the capacity of native communities, SFUs, and regional governments to manage natural resources; and (iv) increase the capacity of the PNCBMCC to provide timely and reliable information. Greater access to technical assistance, finance and legal certainty will enable native communities and SFUs to boost income and enhance the value of the forest. Combined with regional governments' increased environmental management capacity, the capacity of local communities to monitor their resources, and the greater capacity of MINAM to call attention to unauthorized land-use changes, this will reduce deforestation and GHG emissions.

1.19 **Coordination with other initiatives.** The Bank has supported MINAM through the Implementation of the Readiness Preparation Proposal for Reducing Emissions from Deforestation and Forest Degradation in Peru (ATN/FP-14403-PE) and the Technical Assistance for the Preparation of FIP-PERU's Programs (ATN/SX-14924-PE) operations, which have facilitated coordination and preparation of the operation. The Bank is also financing the Rural Land Cadastre, Titling, and Registration Project In Peru – Third Phase (PTRT-3) (3370/OC-PE), which is expected to title native communities in the San Martín and Loreto regions (US$7 million). This operation is complementary to the PTRT-3, since the areas and

[4] SFUs are settlers who live in the territory under forest tenure, on local forest land under land use agreements for residual agroforestry systems and forests, private land with forest, and Ecosystem Conservation and Recovery Zones, as well as small and medium-sized concession operators (of less than 20,000 hectares).

intervention were defined during preparation so as avoid duplicating efforts. The protocols, studies, and procedures developed by the PTRT-3 will also be used by the operation. In addition, the Bank is the executing agency of a Profonanpe-executed Global Environment Facility project, Mitigating Deforestation in Brazil Nut Concessions in Madre de Dios, Peru (ATN/FM-14542-PE). With financing from the Government of Norway, MINAM is also financing the recognition and titling of land for 68 native communities through the United Nations Development Programme, which will help to refine the analysis of unit costs and complete the native communities' demands for titling. Through the World Wide Fund for Nature (WWF) and under the supervision of the World Bank, the FIP is facilitating the recognition and titling of land for 208 native communities. The PNCBMCC is also implementing the Conditional Direct Transfer (CDT) program for conservation, which is an experience that will serve as the basis for the implementation of the proposed operation's incentive projects.[5]

1.20 **Lessons learned**. The proposed operation takes into account the lessons learned from the operations outlined in the foregoing paragraph and 3370/OC-PE, 2415/BL-NI, 2928/OC-BR, the PNCBMCC's CDT program, and the IDB's Office of Evaluation and Oversight's report "Climate Change and the IDB: Building Resilience and Reducing Emissions - Sector Study: Agriculture and Natural Resources" (2014), as well as the MICI process associated with operation 3370/OC-PE.

Table 1. Lessons learned from the Bank's experience in the sector

Identified success factor	Embodiment in the operation's design
1. Participation by the communities in the design of the incentives, implementation, and recognition/titling process is a key factor for the program's success.	(i) advisory committees will be set up at different levels to coordinate activities; (ii) the life plan methodology will be used to identify incentive projects;[6] and (iii) the incentive projects will be managed directly by the beneficiaries.
2. Incentives should be sized so as to incentivize participation by all community members. The profitability of land and labor is no longer the only consideration that encourages participation in modern value chains. Labor shortages and imperfect labor markets also present obstacles.	The sizing takes into account the forest's opportunity cost and the costs of the proposed technologies (paragraph 1.30 y optional link 10) so that all the families in the communities or SFUs participate. The operation's technology packages have been designed to enable the participation of producer group members.
3. Technical assistance plays a fundamental role in adopting technology and, accordingly, such services should be offered in a timely manner during the crop cycle and at an appropriate frequency.	All incentive projects include technical assistance and training for a long enough time to facilitate the adoption of the technologies and to support the consolidation of the groups (see optional link 10).
4. Producer eligibility criteria and the strategy for selection thereof should foster transparency and equal opportunity.	Criteria have been established to facilitate the participation of all communities and encourage the participation of women.

[5] This program, with an average annual budget of US$6.5 million, benefits 5,941 families who protect more than 723,000 hectares of forest.

[6] The life plan is a planning and management document developed by the native communities with the participation of the entire population, which promotes community-based forest management and enables native communities to take part in local and regional development processes.

Table 1. Lessons learned from the Bank's experience in the sector

Identified success factor	Embodiment in the operation's design
5. The suite of technologies should have objective selection criteria based on technical, economic, and socioenvironmental principles.	The quality criteria for incentive projects include environmental and social variables.
6. Adequate monitoring and quality control systems should be in place from the project's launch.	The PNCBMCC's CDT management and forest monitoring platforms, which have been operating for several years, will be used. These platforms will be tailored to the operation's needs prior to its launch.
7. Coordination with regional governments is key to executing the land titling and forest conservation projects.	The project has been designed and will be executed in close coordination with regional and municipal governments.

1.21 **Strategic alignment.** The operation is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008). The operation is strategically aligned with the development challenge of social inclusion and equality by (i) increasing the income of vulnerable populations; (ii) financing incentive projects for indigenous peoples; and (iii) engaging in specific activities to increase the participation of women in incentive projects. The operation also contributes to the crosscutting themes of (i) gender equity and diversity; (ii) climate change and environmental sustainability; and (iii) institutions and rule of law through: (i) conservation incentives for indigenous communities and SFUs; (ii) the reduction of deforestation and GHG emissions; and (iii) the institutional strengthening of MINAM. The operation will also contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through: (i) the reduction of CO_2 emissions; and (ii) beneficiaries that make better use of natural resources. The operation is aligned with the IDB Group Country Strategy with Peru (2017-2021) (document GN-2889) through the strategic area relating to "environmental sustainability and climate change, with an emphasis on water resources, environmental management, and agribusiness." In addition, the operation is consistent with the Agriculture and Natural Resources Management Sector Framework Document (document GN-2709-5), the Environment and Biodiversity Sector Framework Document (document GN-2827-3), and the Climate Change Sector Framework Document (document GN-2835-3) through the incentive for the use of sustainable productive technologies; natural forest management; and climate change adaptation. All the operation's funds are expected to be invested in climate change mitigation activities, following the joint methodology of multilateral development banks for estimating climate finance. These funds contribute to the IDB Group's target of increasing financing for climate change-related projects to 30% of all operation approvals by the end of 2020.

B. Objectives, components, and cost

1.22 **Objective.** The operation's objective is to contribute to the national targets set to reduce the GHG emissions resulting from deforestation in the Peruvian Amazon.

1.23 **Target population**. Activities will be concentrated in the SMLMDD departments,[7] benefiting at least 9,200 families from native communities and SFUs. The beneficiaries are members of native communities and SFUs that farm less than two hectares of agricultural production per family, mainly for their own consumption. The average household income of the native communities is US$2,122/year and of the SFUs US$2,621/year (20% of the average rural income in the project's area of intervention). The beneficiaries are in districts with a Human Development Index lower than the national average: 0.43 versus 0.51 (MINAM, 2017a).

1.24 **Component I. Improving services to support the sustainable use of ecosystem biodiversity (US$20.5 million).**[8] This component is divided into two subcomponents relating to each area of intervention:

1.25 **Subcomponent I. Improving support services to conserve the biodiversity of the forest landscape of the Tarapoto – Yurimaguas corridor in the departments of San Martín and Loreto.** The objective of this subcomponent is the adequate conservation of the forest landscape biodiversity in the Tarapoto – Yurimaguas corridor in the departments of San Martín and Loreto. The operation will benefit 25 native communities, which manage 363,000 hectares, and 20 SFU groups, which will protect 50,000 hectares of forests.

1.26 **Subcomponent II. Improving support services to conserve the biodiversity of the forest landscape of the Puerto Maldonado – Iñapari corridor and the area of the Amarakaeri Communal Reserve in the department of Madre de Dios.** The objective of this subcomponent is the adequate conservation of the forest landscape biodiversity in the Puerto Maldonado – Iñapari corridor and the area of the Amarakaeri Communal Reserve in the department of Madre de Dios. This area of intervention will benefit 17 native communities, which manage 756,000 hectares, and 33 SFU groups, which will protect 60,000 hectares of forests.

1.27 The component will finance the strengthening of institutional capacity for forest landscape conservation through two main actions: (i) adequate allocation of land use rights; and (ii) efficient management instruments for forest conservation. The component will also finance the sustainable use of forests and the related ecosystem services through two actions: (i) the strengthening of technical, organizational, business, and commercial capacities to implement the incentive projects (business plans); and (ii) the promotion of technology packages for forest conservation. The operation includes activities to promote the participation of women in the diagnostic assessments and the definition of the areas to be titled, as well as the registration of women heads of household in community titles.

1.28 Through the component, the proposed operation will finance: (i) consulting services to support the MECs and REAs in implementing regional environmental strategies; (ii) preparation of native communities' life plans; (iii) preparation and implementation of incentive projects (business plans) for native communities and SFUs that will finance technology packages in activities including timber and nontimber products, ecotourism, and agroforestry; (iv) titling of native communities; (v) recognition of

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[7] Loreto: province of Alto Amazonas; San Martín: provinces of Lamas, San Martin, and Moyobamba; Madre de Dios: provinces of Manu and Tahuamanu.

[8] Subcomponent I is equivalent to Public Investment Project 1 (PIP1) and subcomponent II to PIP2, both approved by MINAM through the Invierte.Pe system.

native communities, which is a necessary prerequisite for titling; (vi) equipping and training of communities to effectively control their territory, including verification, measurement, and reporting; and (vii) training members of native communities, SFUs, REA staff, and regional departments of agriculture under regional governments in forest monitoring, control, and surveillance.

1.29 Native communities and SFUs that meet the criteria established in the project Operating Regulations (including having rights to the forests and titles, contracts, or concessions; and that, at the time of applying, are not receiving or in the process of receiving any other conservation incentives similar to those proposed in this operation) will be eligible to participate in the conservation incentive projects (business plans). For native communities, the process will begin with the preparation of life plans based on the methodology developed by the Inter-Ethnic Association for Development of the Peruvian Jungle (AIDESEP), the Office of the Deputy Minister for Cultures, and Instituto del Bien Común [Institute for the Common Good]. The native communities will identify one or more incentive projects within the framework of their life plans, up to a maximum of US$1,500 per family. The maximum amount of the conservation incentive will be US$150,000 per native community. SFUs may only submit one conservation incentive project, with the same maximum amounts per family/incentive project as the native communities.

1.30 The eligibility criteria for conservation incentive projects are described in the project Operating Regulations. Projects will demonstrate their contribution to the objective of reducing deforestation and forest degradation. Both the design and implementation of incentive projects will promote gender equality. Technical assistance and training will include strategies to enable the participation of women and young people in preparing and managing incentive projects.

1.31 Conservation incentive projects (business plans) will include financing for: (i) technical assistance in: (a) management, commercial, and technical capacities of native communities/SFUs; (b) specific training for the implementation of the selected technology packages; and (c) marketing and sales; (ii) inputs; (iii) equipment and tools; and (iv) minor infrastructure. The PNCBMCC will sign an agreement with each native community and SFU to implement the incentive projects. The operation will finance up to 80% of the incentive project for native communities and up to 70% for SFUs. Incentive projects for SFUs must include 10% cofinancing in cash. For native communities, cofinancing may be 100% in kind.

1.32 **Component II. Improving the environmental information service for mapping deforestation in the Amazon forests of Peru (US$10.5 million).**[9] The objective of this component is to provide efficient, effective deforestation mapping services in the Amazon forests of Peru. Through this component, the conditions for the coordination, integration, control, and monitoring of natural resources at both local and national levels will be established. It is organized around two lines of action: (i) management and handling of georeferenced information between the PNCBMCC and regional governments; and (ii) improvement of native communities' forest monitoring and control capabilities. Specifically, it will finance: (i) the strengthening of MINAM's forest monitoring unit, personnel, and equipment for 11 regional governments with Amazonian forests. These activities will integrate the platforms for

[9] Component II is equivalent to the PIP4 approved by MINAM through the Invierte.Pe system.

forest cover (PNCBMCC), forest concessions (SERFOR), land ownership (DIGESPARC), and use permits (OSINFOR); (ii) the establishment of local surveillance and monitoring units, including equipment and the mobilization of the CSCs; (iii) the interconnection with five regional governments; and (iv) training to promote the participation of women. The operation's financing will enable the MMCB to expand forest information services (forest degradation and land-use change) and develop the land-use change early warning platform. This includes the adoption of the University of Maryland's methodology and the transfer of capacities to the MMCB technical team. Prioritized regional governments will have access to the MMCB platform and the capacities to analyze, calculate, and maintain the databases in order to link the CSCs' work to the MMCB.

1.33 **Cost and financing.** The operation's cost totals US$36.3 million, which will be financed by the Climate Investment Fund (CIF) as nonreimbursable financing of US$19.5 million and a loan of US$16.8 million. Loan proceeds will mainly finance the titling and recognition of native communities, investments in computer hardware and systems, technical advisory support, and the strengthening of regional governments. The grant funds will be used primarily to finance conservation incentive projects, local taxes, and compliance with safeguards. The distribution, by funding source and component, is described in Table 2.

Table 2. Operation Costs and Financing (US$ thousands)

Investment category	CIF grant	CIF loan	Total	%
Component I. Improving services to support the sustainable use of ecosystem biodiversity	11,014	9,498	20,512	56.51
1.1. Improving support services to conserve the biodiversity of the forest landscape of the Tarapoto – Yurimaguas corridor in the departments of San Martín and Loreto	6,014	4,238	10,252	28.25
1.2. Improving support services to conserve the biodiversity of the forest landscape of the Puerto Maldonado – Iñapari corridor and the area of the Amarakaeri Communal Reserve in the department of Madre de Dios.	5,000	5,260	10,260	28.26
Component II. Improving the environmental information service for mapping deforestation in the Amazon forests of Peru	5,000	5,522	10,522	28.99
Socioenvironmental monitoring, evaluation, and management		1,417	1,417	3.9
Audit		363	363	1.0
Administration	3,486		3,486	9.6
Total	**19,500**	**16,800**	**36,300**	**100**

1.34 The amounts approved by the FIP in October 2013 remain the same: Tarapoto – Yurimaguas corridor (US$12.2 million); Puerto Maldonado – Iñapari corridor and Amarakaeri Communal Reserve (US$12 million); and Strengthening Environmental Governance (US$12.1 million). The proposal submitted to the CIF in 2013 identified monitoring, administration, and safeguard compliance activities for each initiative, which have been added for simplicity and efficiency during implementation.

C. Key results indicators

1.35 The operation includes a Results Matrix (Annex II) that has been agreed with the PNCBCMM and is aligned with the approved public investment projects.[10] This matrix presents the impact indicators, outcomes, and outputs with the respective baselines, targets, and means of verification. Table 3 shows the operation's impact indicators.

Table 3. Main Results Matrix Indicators

Impact indicator	Time of measurement	Justification for selection
1. Lower emissions from deforestation in the area of intervention	Baseline and impact evaluation.	See paragraphs 1.9 and 1.11. Lower deforestation results in lower CO_2 emissions. Calculations in optional link 4.
2. Lower deforestation in the area of intervention.	Baseline and impact evaluation.	See paragraphs 1.9 to 1.11. Incentives for conservation and greater control result in lower deforestation. Calculations in optional link 4.

1.36 Following the operation's rationale, the following outcomes are expected to contribute to achieving the expected impacts: (i) higher agroforestry-related income for beneficiaries through capacity-building for sustainable forest use, with financing for 95 incentive projects that will benefit approximately 9,200 families from indigenous communities and SFUs; (ii) greater return on agroforestry activities through technical support and the financing of incentive projects; and (iii) continued and increased monitoring and surveillance of forests, with 60% coverage for degradation maps and land-use change.

1.37 **Economic viability.** The ex ante economic analysis uses a cost-benefit methodology to estimate the economic viability of the investments using a 15-year horizon and 12% discount rate. For this purpose, each of the components is evaluated individually and, subsequently, as a whole; benefits are estimated in terms of: (i) reduction of GHG emissions as a result of deforestation averted due to the activities under Components I and II; and (ii) increase in the income of beneficiaries associated with the implementation of incentive and training programs financed by Component I. Averted deforestation is estimated under the assumption that the reduction is incremental over time[11] and is then valued on the basis of the official carbon price of US$7.17 per ton.[12] Costs include investment, operation, and maintenance of the operation's two components. In the average scenario, a net present value of US$38.8 million and internal rate of return of 16.3% are obtained (greater detail, including a sensitivity analysis, is provided in required link 2 and optional link 4).

[10] The operation's design includes gender considerations, with indicators that include specific targets for women (e.g. in terms of number of beneficiaries) (detail in Annex III).

[11] According to MINAM estimates (2017a and b), deforestation will be reduced by up to 49% in year 15. See optional link 4 for details on the calculation methods.

[12] Price set by Directorial Resolution 001-2017-EF/63.01 (Ministry of Economy and Finance, 2017).

II. Financing Structure and Main Risks

A. Financing instruments

2.1 The operation is structured as a specific investment operation (for the loan portion) and an investment grant (for the grant portion). The activities will be executed over a five-year period in accordance with the preliminary disbursement schedule described in Table 4.

Table 4. Schedule of Disbursements (US$ thousands)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Loan	1,500	3,500	4,500	5,500	1,800	16,800
Grant	2,500	4,500	6,500	4,500	1,500	19,500
Total	**4,000**	**8,000**	**11,000**	**10,000**	**3,300**	**36,300**
%	**11.0**	**22.0**	**30.3**	**27.6**	**9.1**	**100**

B. Environmental and social risks

2.2 In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project is classified as a category "A" operation, due mainly to the inherent social risks of the processes to implement the operation's activities. Such risks are the challenges associated with titling the native communities' integral territories and the existing social conflict in the project's two areas of intervention. In addition, a portion of the activities will be carried out within the buffer zones of protected areas. During preparation of the operation, a strategic environmental and social assessment (SESA) was conducted that identified significant positive impacts and negative social and environmental risks and impacts.

2.3 The main potential additional social risks and impacts identified in the SESA include, (many of these are historical and unrelated to the project), at the medium level, (i) the failure to meet indigenous peoples' demand for titling due to conflicts and overlapping already existing in the areas of intervention; (ii) the potential increase in internal inequality in the native communities; and (iii) the risks to the sustainability of the activities and the benefits of the investments should the social and cultural characteristics of the indigenous peoples fail to be properly considered. From an environmental perspective, the following potential high-level impact has been identified: the displacement of deforestation activities toward areas neighboring the area of intervention. The potential medium-level impacts are: (i) indirect incentives for deforestation in SFU areas due to mistaken expectations about the scope of the operation; (ii) potential localized negative impacts on the ecosystem resulting from the activities to be financed through incentive projects; and (iii) potential impact on critical natural habitats (areas of international importance and buffer zones of protected areas) due to native communities' titling activities.

2.4 To mitigate these risks and negative impacts and to enhance the positive impacts, an environmental and social management plan (ESMP) and a social governance framework (SGF) (optional link 5) have been prepared. The main factors for

managing the aforementioned social risks and impacts include: (i) measures to ensure the cultural appropriateness of the operation's activities; (ii) a system of social governance, including a participatory monitoring mechanism at national, regional, and community levels, a conflict resolution mechanism, a grievance resolution mechanism, a code of conduct, a community engagement plan, and a communications strategy; and (iii) the application of instructions for safeguard compliance in community titling processes. Measures to address environmental risks and impacts include: (i) an environmental management framework for incentive project activities; and (ii) the development of forest cover information platforms and the environmental monitoring of incentive projects. The SESA, the ESMP, and the SGF were published on the websites of the Bank and the executing agency within the timeframes established by the safeguard policies. These measures will reduce the likelihood of conflicts and will result in the better management theereof.

2.5 A broad, good-faith consultation and negotiation process focusing on the design of the operation was carried out based on a methodology previously agreed with the main national indigenous federations AIDESEP and the Consejo Nacional de Pueblos [National Council of Indigenous Peoples] (CONAP). Nearly 20 workshops were held with the participation of indigenous organizations at the national, regional, and subregional levels, as well as representatives of regional and muncipal governments.[13] AIDESEP and CONAP have also been involved in the design process through their participation on the FIP-Peru steering committee. Within the framework of the SESA, four rounds of consultations focusing on socioenvironmental impacts and risks and the related mitigation measures were held between May 2017 and February 2018. These consultations resulted in agreements being reached with the indigenous organizations on the design of the operation and the ESMP and SGF measures, which were formally accepted and published on the Bank's website. The project's design fostered greater trust among the native communities in the Peruvian government's forest management strategy and facilitated a dialogue between national authorities and community leaders.

2.6 The environmental and social management report (required link 3) summarizes the main impacts and risks, as well as the associated mitigation and compensation measures. It also summarizes the consultation process and presents the compliance with safeguards policies in detail.

C. Fiduciary risks

2.7 While designing the operations, in the fiduciary area, the risk of higher costs and more time for project implementation was identified, since the PNCBMCC lacks experience in the fiduciary management of loan transactions and investment grants under Bank policies. Medium-level mitigation measures were identified to mitigate the risk: (i) hiring of additional staff in local offices under terms of reference previously agreed with the Bank; (ii) identification of fiduciary process flows in the project Operating Regulations; (iii) continued flexibility of the PE-G1003 accountability percentage; and (iv) fiduciary assistance/support for the PNCBMCC/PMT-FIP.

[13] The documentation related to this consultation process is available at the following link: http://futurosostenible.org/2018/02/28/proyectos-fip-peru/.

D. Other project risks

2.8 The operation's design included a risk identification workshop based on the Bank's Project Risk Management methodology, in which additional risks were identified for the execution stage. The high-level risks are: (i) delays in the approval and inclusion of the PNCBMCC's budget in the 2018 government budget, which is being mitigated through steps being taken with MINAM's budget proposal; (ii) extension of the decree creating the PNCB, which will be processed by MINAM before the Presidency of the Council of Ministers and the Ministry of Economy and Finance once the project is approved; and (iii) opposition to or ignorance of the agreements signed with local authorities, which will be mitigated through agreements with and overtures to the new authorities of DIGESPARC, SERFOR, OSINFOR, and regional governments. Draft agreements have been prepared by the PNCBMCC. The medium-level risks are: (i) delays in the approval of incentive risks, which will be mitigated through participatory planning and support from regional governments; and (ii) increased cost and time for project implementation, which will be mitigated through the preparation of bidding and procurement documents (already been initiated by the PNCBMCC).

III. Implementation and Management Plan

A. Summary of implementation arrangements

3.1 **Borrower and executing agency.** The borrower will be the Republic of Peru, and the PNCBMCC will be the executing agency legally established through Supreme Decree 008-2010. The PNCBMMC will approve a new functions operations manual (FOM). The FOM describes the executing agency's organization chart and establishes responsibilities for the use of the funds. The FOM will include: (i) a technical body or unit; (ii) an administrative body or unit; and (iii) a project coordination body or unit; and under the latter, a specific project management team (PMT). Through the PMT-FIP and in coordination with the other competent executing agency bodies or units, the executing agency will guide its work through the project Operating Regulations and will have the following responsibilities: (i) implement the activities; (ii) ensure that consolidated accounting records are kept that identify the sources and uses of the operation's funds by component; (iii) prepare and submit to the Bank the disbursement requests and respective justifications for expenditures, as well as audited financial statements; (iv) commission annual external audits and submit the respective financial reports to the Bank; (v) carry out competitive bidding, tender, and contracting processes, make payments, and conduct technical supervision of the contracts for the activities under its responsibility; (vi) prepare, submit to the Bank, and make available to the public the required consolidated monitoring reports and evaluation reports; (vii) ensure compliance with the contractual clauses in the loan agreement, the FIP's project Operating Regulations, and the signed agreements; and (viii) implement the ESMP and ensure compliance with the Bank's environmental and social safeguards. **A special contractual condition precedent to the first loan disbursement will be the approval and entry into force of the PNCBMCC's FOM, which responds to the design of the operation, under the terms and conditions previously agreed with the Bank.** The FOM's structure includes a yet-to-exist project coordination unit, which will be in charge of implementing the operation. This type of structure has

been successfully used in other projects (e.g. PE-L1026), facilitating relations between the executing agency's highest decision-making levels and the operating units.

3.2 **Project Operating Regulations – FIP**. Execution of the operation will be governed by specific project Operating Regulations for the operation. The Operating Regulations establish guidelines and operating procedures relating to: (i) the responsibilities of the entities participating in the operation; (ii) operating procedures for planning and scheduling the activities to be financed; (iii) financial and procurement matters; (iv) procedures for conservation incentive projects; (v) procedures for the environmental and social management of the operation; and (vi) operating instructions to implement monitoring, midterm evaluation, and impact evaluation activities. **A special contractual condition precedent to the first loan disbursement will be the approval and entry into force of the project Operating Regulations, which include the ESMP and SGF as an annex, under the terms previously agreed with the Bank**, which is necessary to facilitate implementation of the activities and the establishment of the PMT-FIP. Regulations have been the most effective tool in facilitating the work of operations in Peru, and the model for the project operating regulations for this project is similar to the one used by other projects in execution.

3.3 **Interagency coordination.** Three levels of coordination and management will be established to implement the activities:

3.4 Working group known as the steering committee. Composed of MINAM, MINAGRI, the Ministry of Culture, a regional government representative appointed by the National Assembly of Regional Governments, and the Ministry of Economy and Finance. The Executive Management of the PNCBMCC will act as the technical secretary. This committee's functon will include: (i) approving the annual work plan (AWP) and the project Operating Regulations; (ii) approving the selection of the PMT leader; and (iii) reviewing physical and financial progress. **A special contractual condition precedent to the first loan disbursement will be the creation and formation of the working group known as the steering committee.** The steering committee will approve the operational documents and select the PMT leader prior to commencing the activities. The steering committees provide the executing agency with political and strategic support for implementation; this structure has been very effective in other similar projects (PE-L1026 and PE-L1125).

3.5 PNCBMCC technical committee. Once the PNCBMCC's new FOM is approved, thematic departments will be established. The technical committee will be made up of these departments, as described in the project Operating Regulations. This committee's functions will include: (i) evaluating incentive projects submitted to the PNCBMCC and verifying thire eligibility based on the quality criteria described in the project Operating Regulations; (ii) submitting eligible incentive projects to the working group-steering committee; (iii) coordinating with beneficiaries and regional governments on the preparation and implementation of the incentive projects; and (iv) approving progress reports on the conservation incentive projects.

3.6 National advisory committee. The national advisory committee will be made up of the members of the FIP steering committee – preparation stage. It includes native community organizations (AIDESEP and CONAP), as well as public sector institutions and representatives from civil society, the private sector, universities, and

local governments. Its functions include proposing measures to the PNCBMCC for implementation of the project's field activities and supporting the monitoring of compliance with the environmental and social safeguards applicable to the project. **A special contractual condition prior to the first loan disbursement will be the creation and formation of the national advisory committee in accordance with the project Operating Regulations, the ESMP and the SGF.** This condition is required to ensure adequate participation of the main national indigenous organizations throughout implementation of the operation. Venues for dialogue among executing agencies, beneficiaries, and civil society have been successful in project monitoring and ownership of activities, as in operation PE-L1026.

3.7 Operation execution will use the proposed organizational structure for the PNCBMCC, in technical, administrative, fiduciary (procurement and financial management), and legal terms. In this regard, the executing agency, through the PMT, will be responsible for the overall coordination of the operation and the ESMP. **The formation and selection, through a competitive process, of key PMT personnel under the terms established in the project Operting Regulations, including a social specialist and an environmental management for implementation of the ESMP, will be a special contractual condition precedent to the first loan disbursement.** The minimum PMT will be identified to initiate activities and coordinate implementation. This team will be the Bank's technical counterpart and is necessary to begin the activities.

3.8 During the preparation of the operation, interagency cooperation agreements are expected to be signed with: (i) MINAGRI, through DIGESPARC and the UEGPS; (ii) SERFOR; (iii) OSINFOR; and (iv) the San Martín, Loreto, and Madre de Dios regional governments.

3.9 **Mechanism for implementing conservation incentive projects**. The PNCBMCC will identify ex ante the native communities that will participate in the conservation incentive projects based on the eligibility criteria described in the project Operating Regulations. It will also inform and enlist the support of the local community regarding this initiative among the SFUs in the projects' area of intervention. Potential beneficiaries will be provided guidance in relation to the process, documentation, and requirements for participation. Registration will be based on the formats described in the project Operating Regulations (optional link 6). Once the eligibility of the native communities/SFUs has been determined, service providers (firms or institutions) will be contracted to design the life plans and conservation incentive projects. The native communities/SFUs will implement the incentive projects based on a procurement plan, using rules similar to those of the Bank. The service providers will support the native communities/SFUs in implementing the incentive projects and provide technical assistance and training on the Bank's procurement policies. The conservation incentive projects will be sent to the PNCBMCC, where the technical committee will review the quality criteria described in the project Operating Regulations. The prioritization process is described in the project Operating Regulations. Once the conservation incentive projects are approved, the PNCBMCC will sign an agreement with the native communities/SFUs for implementation in accordance with the criteria described in the project Operating Regulations. Technical assistance may be contracted by the PNCBMCC or directly by the native communities/SFUs in accordance with the approved incentive project. Technical assistance will last a minimum of two years.

3.10 **Technical verification**. Through the PMT and using operation resources, the PNCBMCC will contract independent technical verification services. This verification will randomly select a significant sample of conservation incentive projects annually and will verify: (i) compliance with eligibility criteria; (ii) design quality criteria; (iii) quality of implementation, including quality of inputs, materials, equipment, and technical assistance; (iv) compliance with the targets and outputs in the results matrix; and (v) compliance with the Bank's environmental and social safeguards. In turn, the PNCBMCC will monitor forest conservation commitments through the GeoBosques platform 18 and 36 months after the start of the incentives project to verify compliance with conservation commitments.

3.11 **Fiduciary agreements and requirements**. The fiduciary agreements and requirements establish the framework for financial management and planning, as well as for procurement supervision and execution applicable to project execution. Loan and grant funds may be disbursed as advances of funds, reimbursement of expenses, and direct payment to the supplier. For advances of funds, disbursements will be made based on expenses projected up to 180 days. Given the decentralized execution of the incentive projects under Component I of the PE-G1003 program (51% of the total operation), disbursements will be justified for at least 70% of the total cumulative balances pending justification using the Bank's formats. For PE-L1232, the percentage will be at least 80%. The executing agency will submit audited annual and final financial statements for the operation under the terms and within the periods required by the Bank in its policies. To this end, the PNCBMCC undertakes to select and contract an independent audit firm acceptable to the Bank for the duration of the operation.

3.12 **Procurement of goods, works, and services.** The procurement plan (required link 4) will be managed through the online electronic system called the Procurement Plan Execution System or any system as may be determined by the Bank. Operation procurement will be performed in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9), or subsequent updates thereto. Procurement under the subprojects financed by this operation will be performed in line with these policies.

B. Summary of arrangements for monitoring results

3.13 **Monitoring.** The operation has a monitoring and evaluation plan. The ESMP also includes an environmental and social monitoring and evaluation plan. No later than 60 days after the end of each six-month period during execution, the PNCBMCC will prepare a monitoring report and send it to the Bank. These reports will focus on compliance with output indicators and progress in outcomes, the identification of problems encountered and corrective actions taken. During execution, the PNCBMCC will submit the annual work plan for the following year to the Bank's satisfaction no later than the last quarter of each year. The PNCBMCC will conduct two independent evaluations using the operation's resources: (i) the midterm evaluation will be submitted to the Bank no later than 90 days after 50% of the loan proceeds have been executed or 30 months have elapsed since the loan contact took effect; and (ii) the final evaluation no later than 90 days after 90% of the operation resources have been executed. These reports will include an evaluation of the quality of the monitoring system's data, the degree of compliance with the

outputs, outcomes, and the progress of the expected impacts established in the results matrix, as well as the level of compliance with the ESMP, including progress in the social and environmental indicators.

3.14 **Evaluation.** Evaluating outcomes will focus on determining the effectiveness of the intervention in terms of its impact on two key indicators: (i) deforestation in the area of intervention (main factor in reducing emissions); and (ii) beneficiaries' income. Changes in deforestation in the treatment (beneficiaries) and control groups (nonbeneficiaries) for each year of the operation will be measured using the methodology applied by MINAM. The evaluation of the impact on income will use a quasiexperimental method (difference in differences) using data collected through a survey that will be administered before the operation begins (baseline) and before it ends. The sample size for the baseline has been set at 1,200 observations, including control and treatment groups in native communities and SFUs (required link 2).

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Reduction of emissions with support of IDBG financing (annual million tons CO2 e)* -Beneficiaries of improved management and sustainable use of natural capital (#)* -Farmers with improved access to agricultural services and investments (#)* -Beneficiaries of IDBG projects that contribute to at least one key dimension of food security (#)* -Beneficiaries of improved management and sustainable use of cultural capital (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2889	Foster environmental sustainability and climate change mitigation and adaptation.
Country Program Results Matrix	GN-2915	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		1.4 y 1.15
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	8.0	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	1.0	
4. Ex ante Economic Analysis	9.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	0.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	1.0	
5. Monitoring and Evaluation	8.0	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	5.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	A	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The program's objective is to reduce the high rates of deforestation in Peru's Amazonian region, as one of the principal factors contributing to greenhouse gas emissions. In order to reduce deforestation rates, the program specifically proposes to generate incentives for forest conservation, as well as improving the forest monitoring and surveillance system by implementing the following activities: (i) adequately assigning land rights to native communities and small forest users that inhabit the priority intervention zones; (ii) promote the use of technological packages for forest conservation among these beneficiaries; as well as (iii) strengthen the technical, financial, and organizational capacities for forest monitoring at the user and government level.

The documentation is well-structured. The diagnostic is based on empirical evidence of the causes and effects of deforestation in Peru. The proposed solution is then linked to the problems identified. The results matrix (RM) reflects the objectives of the program and establishes a clear vertical logic, including impact indicators that can capture the program's overall effect on deforestation rates and greenhouse gas emissions. The RM includes SMART indicators at the impact, outcome (except two) and output level (except three), with their respective baseline values and targets and the means to gather information.

The economic analysis presents a Cost-Benefit Analysis that considers the intervention's expected benefits in avoided deforestation and increased agricultural income among beneficiaries, and compares them to the program's recurrent and non-recurrent costs. In general, the benefits are based on a good understanding of the theory of change, and the economic costs include all resource costs as well as costs from a social perspective. Overall assumptions appear reasonable and appropriate, although the source for the assumed percentage of avoided deforestation is not entirely clear. A sensitivity analysis contemplates key parameters and various break-even points.

The monitoring and evaluation plan presents all outputs and associated costs. The evaluation plan proposes identifying as a control group such native communities and small forest users that are located within a 50 km buffer around the intervention area, and, using this counterfactual, using a difference-in-difference approach combined with entropic balance to estimate the impact on agricultural incomes of farmers. Although this approach appears reasonable and rigorous, some details to clarify the selection of the control group are missing in order to guarantee an unbiased impact estimate. The plan provides sufficient detail on methodological and logistical considerations.

The risk matrix identifies fourteen risks; four are classified as Low, six as Medium, and four as High. All of them seem reasonable and include appropriate mitigating actions and compliance indicators.

RESULTS MATRIX

Objective of the project	Contribute to the national targets set to reduce GHG emissions resulting from deforestation in the Peruvian Amazon.

EXPECTED IMPACT

Indicator	Measurement unit	Baseline		Targets at end of project		Means of verification	Observations
		Value	Year	Value	Year		
Impact: Lower emissions from deforestation in the area of intervention							
Emissions averted due to lower deforestation[a]	Millions of tons of CO_2	0	2017	1.8	2022*	Reports by the Forest Monitoring Department.	[a] CO_2 emissions are estimated using a weighted average for each zone that takes into account the composition of the soil and forests (MINAM methodology).[1] * Cumulative values for the 2018-2022 period.
Impact: Lower deforestation in the area of intervention							
Deforestation area[b]	Thousands of hectares per year	4.7 Component I 6.0 Component II	2017†	3.4 Component I 5.5 Component II	2022††	Reports by the Forest Monitoring Department.	[b] Deforestation area for the area of intervention calculated using the MINAM methodology and Spectral Mixture Analysis in which forest loss is measured by analyzing satellite images with a pixel-level accuracy of 30x30 meters (0.9 ha). † Average annual area of deforestation during the 2001-2015 period. †† Average annual area of deforestation for the 2018-2022 period, based on reductions in the deforestation rate estimated by MINAM.[2]

[1] See Ministry of the Environment (2017a and b).

[2] Ministry of the Environment (2017a and b).

EXPECTED OUTCOMES

Indicator	Unit	Baseline		Midterm		Targets		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
Higher agroforestry income of beneficiaries									
Agroforestry income[3]	US$/family /year[4]	339 NCs 458 SFUs	2017	-	-	423 NCs 573 SFUs	2022[c]	Final evaluation.	NC = native community SFU = small forest user [c] Weighted average for the two areas of intervention under component I
Higher return on agroforestry activities for beneficiaries									
Return on agroforestry projects	US$/ha	342	2017	-	-	990	2022	Final evaluation	Small-scale forest use
Continued and increased forest monitoring and surveillance									
Amazon area implementing forest monitoring and surveillance	Millions of hectares	54.3	2017	-	-	54.3	2022	PNCBMCC progress reports	
Amazon area with native communities implementing forest monitoring and surveillance	Hectares	0	2017	-	-	400,000	2022	PNCBMCC progress reports	

[3] The indicator for SFUs, broken down by gender, will be reported. Similar to the aggregate indicator, the target is a 20% increase.

[4] Using an exchange rate of US$1=S/ 3.3, measured in 2017 dollars.

OUTPUTS

Outputs	Measurement unit	Baseline	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Final target	Means of verification
Component I									
Native communities in the area of the Tarapoto – Yurimaguas corridor and the Puerto Maldonado-Iñapari corridor titled with demarcation	Number of communities	0	10	22	10	-	-	42	PNCBMCC progress reports Records from the National Superintendancy for Public Registration Program monitoring and evaluation report
Milestone 1: Native communities titled	Number of communities	0	-	6[5]	-	-	-	6	
Milestone 2: Native communities recognized	Number of communities	0	2	-	-	-	-	2	
Milestone 3: Demarcated native communities in the area of the Tarapoto – Yurimaguas corridor and the Puerto Maldonado-Iñapari corridor	Number of communities	0	-	17	20	-	-	37	
Strengthened local participation forums in the area of the Tarapoto – Yurimaguas corridor and the Puerto Maldonado-Iñapari corridor[6]	Number of RECs and MECs	0	1	5	5	5	4	20	PNCBMCC progress reports Regional ordinance Program monitoring and evaluation report
Life plans approved in communities	Number of life plans	0	-	15	15	5	-	35	PNCBMCC progress reports Program monitoring and evaluation report
Completed conservation incentive projects for native communities	Number of projects	0	-	8	21	13	-	42	PNCBMCC progress reports

[5] Includes the two recognized in milestone 2.

[6] Strengthening focused on forest management and land use planning.

Outputs	Measurement unit	Baseline	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Final target	Means of verification
Milestone 1: Approved conservation incentive projects for native communities	Number of projects	0	8	21	13	-	-	42	Program monitoring and evaluation report
Completed conservation incentive projects for small forest users	Number of projects	0	-	11	27	18	-	56	PNCBMCC progress reports Program monitoring and evaluation report
Milestone 1: Approved conservation incentive projects for small forest users	Number of projects	0	11	27	18	-	-	56	
Native community beneficiaries receiving technical assistance and counselling	Number	0	819	2,048	4,095	3,276	2,047	4,095[7]	PNCBMCC progress reports Program monitoring and evaluation report
Female native community beneficiaries receiving technical assistance and counselling	Number	0	162	410	819	654	410	819	PNCBMCC progress reports Program monitoring and evaluation report
Small forest users who are beneficiaries receiving technical assistance and counselling	Number	0	1,034	3,618	5,168	4,134	1,550	5,168	PNCBMCC progress reports Program monitoring and evaluation report
Female small forest users who are beneficiaries receiving technical assistance and counselling	Number	0	371	556	926	926	926	926	PNCBMCC progress reports Program monitoring and evaluation report
Trained civil servants[8]	Number[9]	0	-	130	-	-	-	130	PNCBMCC progress reports

[7] Note that the same beneficiary may receive technical assistance for several years during the project.

[8] The main training topics are environmental management, conflict management, gender and diversity, planning, use of GeoBosques, and community-based surveillance.

[9] The indicator, broken down by gender, will be reported.

Outputs	Measurement unit	Baseline	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Final target	Means of verification
Communities with on-site forest monitoring and surveillance implemented	Number	0	10	20	20	20	20	50	PNCBMCC progress reports
Component II									
GIS forest monitoring platform interconnected with SERFOR and DIGESPARC.	Number of GIS interconnection services	0	4	4	4	4	4	4[10]	PNCBMCC progress reports Program monitoring and evaluation report
Monthly map and forest cover analysis reports prepared.	Number of reports	0	-	12	12	12	-	36	PNCBMCC progress reports Program monitoring and evaluation report
Regional governments equipped for monitoring forest cover	Number of regional governments[11]	0	-	-	3	5	3	11	PNCBMCC progress reports Program monitoring and evaluation report
Civil servants trained in information generation	Number of civil servants trained, men[12]	0	10	30	30	20	20	110	PNCBMCC progress reports Program monitoring and evaluation report
	Number of civil servants trained, women	0	10	20	20	20	10	80	
Training for public agencies and civil society in the use of the MMCB's information	Number of workshops, in-person courses and online courses[13]	0	-	-	-	58	-	58	PNCBMCC progress reports Program monitoring and evaluation report

[10] Indicates continuity of the interconnection service over time.

[11] Equipping consists of software, hardware, furniture, services, and infrastructure.

[12] 10 training sessions in satellite image processing for MMCB officials and 11 training sessions in forest mapping for regional government officials.

[13] 11 workshops, 11 in-person courses and 36 online courses for public agencies and civil society.

Outputs	Measurement unit	Baseline	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	Final target	Means of verification
Communities equipped for monitoring and surveillance	Number of communities[14]	0	-	30	30	20	10	90	PNCBMCC progress reports Program monitoring and evaluation report

[14] 40 correspond to native communities within PIP1 and PIP3, while the remaining 50 are at the national level. Equipping consists of (i) equipment: GPS, cameras, compass, flashlight; (ii) implements: boots, rain ponchos, tents, sleeping bags, backpacks, batteries, poles, vests, logistics; and (iii) materials: boundary maps, pressure maps, and patrol atlases.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country	Republic of Peru
Project number:	PE-L1232 and PE-G1003
Name:	Forest Investment Projects in Peru
Executing agency:	National Forest Conservation and Climate Change Mitigation Program (PNCBMCC) / Forest Investment Program (FIP) project management team (PMT-FIP)
Prepared by:	Allizon Milicich Nieto-Polo and Gabriele del Monte (FMP/CPE)

I. EXECUTIVE SUMMARY

1.1 The fiduciary situation was evaluated, the institutional capacity of the PNCBMCC was analyzed, and meetings were held with key staff of the PNCBMCC, MINAM, and the project team. In fiduciary terms, the risks of higher costs and longer time for project implementation were identified. Medium-level mitigation actions were identified in the risk matrix to mitigate the risk.

II. THE COUNTRY'S FIDUCIARY CONTEXT

2.1 The country's financial management systems are adequate and reliable. With regard to the country procurement system, the electronic reverse auction and electronic catalogues for framework agreements subsystems under public procurement rules approved by document GN-2538-11 are currently in use.

III. FIDUCIARY CONTEXT OF THE EXECUTION UNIT AND THE ADMINISTRATIVE EXECUTING AGENCY FOR THE PROJECT BENEFICIARIES

3.1 The executing agency will be the PNCBMCC through the PMT-FIP, which will coordinate with the other executing agency units.

3.2 The institutional framework of the operations provides for an executive coordination unit with an administrative unit and a technical coordination unit. The PMT-FIP will report to the project coordination unit, which is part of the technical coordination unit. The PMT-FIP members responsible for fiduciary activities will work in the administrative unit dedicated exclusively to operations.

3.3 The PMT-FIP will use the State Electronic Procurement and Contracting System to record the procurement plan for the dissemination of procurement processes.

3.4 The PMT-FIP will use the Integrated Financial Administration System (SIAF) as the financial management operating system, as well as the SIAF's Project Execution Module (MEP) for financial reporting.

IV. Fiduciary Risk Evaluation and Mitigation Actions

4.1 While designing the operations, in the fiduciary area, the risk of higher costs and longer time for project implementation was identified, since the PNCBMCC lacks experience in the fiduciary management of loan transactions and investment grants under Bank policies. Medium-level mitigation measures were identified to mitigate the risk: (i) hiring of additional staff in local offices under terms of reference previously agreed with the Bank; (ii) identification of fiduciary process flows in the project Operating Regulations; (iii) continued flexibility of the PE-G1003 accountability percentage; and (iv) fiduciary assistance/support to the PNCBMCC/PMT-FIP.

V. Considerations for the Special Provisions of the Loan Contract

5.1 Note should be made of the importance of considering the conditions precedent to the first disbursement (iv and v) stated the executive summary of the loan proposal. A special contractual condition for executing the incentive projects (Component I) will be the contracting of a financial supervision specialist at each local office who will be responsible for the monitoring, review, and timely processing, vis-à-vis the PMT-FIP and within the framework of the project Operation Regulations, of the accounting of the native communities and SFUs. This condition is necessary to mitigate the risk of longer delays by the PNCBMCC/PMT-FIP to justify the advances disbursed by the Bank due to the decentralized execution of the incentive projects with different levels of authority.

5.2 The PNCBMCC/PMT-FIP will submit the final audited annual financial statements for the projects, with specific terms of reference acceptable to the Bank, within 120 days following the end of each reporting period of the PNCBMCC/PMT-FIP during the original disbursement period or any extensions thereof. The final audit report will be submitted within 120 days following expiration of the original disbursement period or any extensions thereof.

5.3 To determine the equivalence of an eligible expenditure incurred in the local currency of the borrower's country to the currency in which the disbursements are made, or alternatively to the currency of approval, for purposes of accounting and justification of expenses, the exchange rate in effect on the date when the approval currency or disbursement currency is converted into the local currency of the borrower's country will be used (General Conditions of the loan contract, Article 4.10 (b)(i)). To determine the equivalence of expenditures incurred in local currency and sharged to the counterpart contribution or for reimbursement of expenses charged to the loan, the agreed exchange rate will be the exchange rate on the date on which the borrower, the executing agency, or any other individual or legal entity delegated the authority to incur expenses effectively makes the respective payments to the contractor, supplier, or beneficiary.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

6.1 **Procurement execution.** Procurement will be undertaken in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9), both dated March 2011. The threshold that determines the use of the international competitive bidding will be made available to the borrower, through the executing agency, on www.iadb.org/procurement. Below this threshold, the selection method will be determined based on the complexity and characteristics of the procurement, which should be reflected in the Bank-approved procurement plan.

6.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services[1] under the operation will be executed using the standard bidding documents issued by the Bank. Bidding processes subject to national competitive bidding will be executed using country bidding documents agreed upon with the Bank (or satisfactory to the Bank if not yet agreed upon). The project team leader is responsible for reviewing the technical specifications. The application of direct contracting is identified in the loan proposal.

6.3 **Selection and contracting of consultants.** Consulting service contracts generated under the operations will be executed using the standard request for proposals issued or agreed upon with the Bank (or satisfactory to the Bank if not yet agreed upon), regardless of the contract amount. The project team leader is responsible for reviewing the terms of reference.

6.4 **Prior review of procurement.** The Bank will review the selection and procurement processes, as set out in the procurement plan. At any time during execution of the projects, the Bank may change the way in which these processes are reviewed and will inform the borrower or executing agency in advance. Changes approved by the Bank will be included in the procurement plan.

6.5 **Use of the country procurement system.** As approved by the Board of Executive Directors, the subsystems for electronic reverse auction procedures and electronic catalogues for framework agreements will be used once the actions described in the Agreement for the Partial Use of the National Procurement System of the Republic of Peru and the conditions described therein have been implemented and the resulting modification has been made to the procurement plan. Advanced use may be made of Peru's National Public Procurement System in operations financed by the Bank and executed by the agencies included in this system when the Bank's Board has approved such action, and the implementation thereof is subject to any potential recommendations.

6.6 **Initial procurement plan** See the itemized Procurement Plan for the first 18 months. The executing agency will publish the procurement plan in the Procurement Plan Execution System and update it at least every six months or as required by the Bank to reflect actual program execution needs and the progress made.

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[1] Under the Bank's procurement policies, consulting services are treated similarly to goods.

6.7 **Procurement supervision**. The Bank's ex post reviews will cover a sample of contracts based on technical/professional criteria and will be conducted by external consultants or auditors. Once the use of the country procurement system has been implemented, the arrangements may be updated based on the fiduciary risks.[2]

6.8 **Records and files.** Files must be kept at the offices of the executing agency under conditions ensuring the integrity and security of the documentation.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

7.1 **Programming and budget.** Expenditures related to project activities will be viable within the framework of the regulations established by the Ministry of Economy and Finance. The National System for Multiyear Programming and Investment Management (Invierte.pe) is in place to streamline the approval of investment projects and make their execution more flexible at all three levels of government. Annual programming and the budget will be prepared in accordance with the Public Budget Department of the Ministry of Economy and Finance. The multiyear execution plan will be prepared and based on it, the annual budget will be drafted. The budget allocated to the projects will be approved by the Ministry of Economy and Finance and by the Congress of the Republic. It will be reported to the Bank annually. The budget will be executed under the SIAF.

7.2 **Accounting and information systems.** MEP-SIAF will be used for accounting, reporting (including disbursements requests), exchange rate control, and other information in accordance with the Bank's requirements; this provides transparency and specific controls for budget execution. The accounts will be prepared on a cash basis in accordance with international accounting standards and the directives issued by the National Public Accounting Department.

7.3 **Disbursements and cash flow**. The project will use the country's treasury system in accordance with the directives of the National Debt and Treasury Department. Expenditures are subject to the budgetary and financial execution process and the data relating to the formalization thereof under the rules applicable to each stage will be recorded in the MEP-SIAF: commitment, obligation, warrant, and disbursement. The PMT-FIP will keep two specific bank accounts in U.S. dollars and two other accounts in soles (monetization) to manage the loan and grant funds.

7.4 Disbursements will be made based on the program's actual liquidity needs. The PMT-FIP will submit a disbursement request to the Bank, along with a financial disbursement plan for the next 180 days. Given the decentralized execution of the incentive projects under Component I of the PE-G1003 program (51% of the total operation), disbursements will be justified with at least 70% of the total cumulative balances pending justification using the Bank's formats. For operation PE-L1232, the percentage will be at least 80%.

7.5 External auditors will conduct the ex post review of the records and supporting documentation of the activities and transactions. All documents and records will

[2] Once the reverse auction and framework agreement systems have been put into use in the operations, as part of the strategy to use the country system, executed procurement will be monitored and supervised systematically through monitoring and verification of the stability of Peru's country system.

be kept for at least three years following the date of the last disbursement. Expenses ineligible for the Bank will be reimbursed with the counterpart contribution.

7.6 **Internal control and internal audit.** The control environment, control activities, communication, reporting, and monitoring of the PNCBMCC/PMT-FIP activities are governed by the country's rules, which are based on the Law of the National Control System Law and the Office of the Comptroller General of the Republic. The internal control function resides with MINAM's institutional control body.

7.7 **External control and reports.** Within the framework of the role of the Office of the Comptroller General of the Republic and its regulations, the external audit of projects is outsourced to independent audit firms eligible for the Bank. The independent audit firms are periodically evaluated by the Bank. The Office of the Comptroller General authorizes the PNCBMCC/PMT-FIP to select and engage the independent audit firm in accordance with Bank policies for the entire period of execution of the operations, including extensions to the final disbursement period. A Tier I or Tier II independent audit firm will be selected.

7.8 The financial statements include: the statement of cash flow, statement of cumulative investments, the notes to these financial statements, and the program management's statement (PNCBMCC/PMT-FIP). The audit report will include an assessment of the internal control system. The cost of the external audits, which has been estimated at US$363,000 for the five years planned for execution of the operations, will be covered by the loan proceeds.

7.9 **Financial supervision plan.** This plan may be adjusted depending on the execution of the operations and the external audit reports.

Table 1. Supervision Plan

Activities	Nature/Scope	Frequency
Financial	Review of portfolio with the executing agency and the Ministry of Economy and Finance	2 times per year
	Financial audit and submission of financial statements	Annual and final
	Review of disbursement requests and accompanying reports	4/5 per year
	Inspection visit/project progress review/analysis of control environment at PNCBMCC/PMT-FIP	Annual

FOREST INVESTMENT PROJECTS PERU

PE-L1232

CERTIFICATION

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the operation received the letter of commitment for financing by the **Strategic Climate Fund (SCX)** for up to **US$16,800,000** confirmed by Goritza Ninova (ORP/GCM), February 27, 2018.

Certified by: Original Signed — April 17, 2018

Sonia M. Rivera
Chief
Grants and Co-Financing Management Unit
ORP/GCM

Date

FOREST INVESTMENT PROJECTS PERU

PE-G1003

CERTIFICATION

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the operation received the letter of commitment for financing by the **Strategic Climate Fund (SCX)** for up to **US$19,500,000** confirmed by Goritza Ninova (ORP/GCM), February 27, 2018.

Certified by: Original Signed — April 19, 2018

Sonia M. Rivera
Chief
Grants and Co-Financing Management Unit
ORP/GCM

Date

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/18

Peru. Loan ____/SX-PE to the Republic of Peru
Forest Investment Projects Peru

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, in its capacity as implementing entity of the Strategic Climate Fund, to enter into such contract or contracts as may be necessary with the Republic of Peru, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the program “Forest Investment Projects Peru”. Such financing will be for the amount of up to US$16,800,000 from the resources of the Strategic Climate Fund, of which the Bank is the implementing entity, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____, 2018)

LEG/SGO/CAN/EZSHARE-862165579-17808
Pipeline: PE-L1232

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/18

Peru. Nonreimbursable Financing GRT/SX___-PE to the Republic of Peru
Forest Investment Projects Peru

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, in its capacity as implementing entity of the Strategic Climate Fund, to enter into such agreement or agreements as may be necessary with the Republic of Peru, as Beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of the program "Forest Investment Projects Peru". Such nonreimbursable financing will be for the amount of up to US$19,500,000, from the resources of the Strategic Climate Fund, of which the Bank is the implementing entity, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2018)

LEG/SGO/CAN/EZSHARE-862165579-17809
Pipeline: PE-G1003