



Global Environment Facility

Mohamed T. El-Ashry
Chief Executive Officer
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January 9, 2001



Dear Council Member:

The World Bank, as the Implementing Agency for the project, *Peru: Indigenous Management of Protected Areas in the Amazon*, has submitted the attached proposed project document for CEO endorsement prior to final approval of the project document in accordance with World Bank procedures.

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in May 1999 and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by The World Bank satisfactorily details how Council's comments and those of the STAP reviewer have been addressed. I am, therefore, endorsing the project document.

We have today posted the proposed project document on the GEF website at www.gefweb.org. If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,


 Mohamed T. El-Ashry
CEO and Chairman

cc: Alternates, Implementing Agencies, STAP

OFFICE MEMORANDUM

DATE: December 19, 2000

TO: Mr. Mohamed El-Ashry, CEO/Chairman, GEF

FROM: Lars Vidaeus, GEF Executive Coordinator



EXTENSION: 34188

SUBJECT: ***Peru – Indigenous Management of Natural Protected Areas in the Peruvian Amazon***
Final GEF CEO Endorsement

1. Please find attached the electronic file of the Project Appraisal Document (PAD) for the above-mentioned project for review prior to circulation Council and your final endorsement. This project was approved for Work Program entry at the May 1999 Council meeting under streamlined Council review procedures.
2. The PAD is fully consistent with the objectives and content of the proposal endorsed by Council as part of the May 1999 Work Program. Minor changes regarding implementation emphasis, clustering of components, and financing plan have been introduced during final project preparation and appraisal. Information on these minor modifications, and how GEFSEC, STAP and Council comments received at Work Program entry have been addressed, are outlined below.

Implementation Emphasis

3. As conceived at the time of Work Program entry, the project was going to support the creation and management of four new protected areas (Santiago-Comaina, Gueppi and Alto Purus, El Sira) with the participation of indigenous organizations. A fifth area, Pacaya-Samiria, had already been created as a National Reserve, and was to receive project support for improved management, as part of the Government's effort to place 10% of the Peruvian Amazon under protection. Following Council approval of the Project Brief in May 1999, GOP demonstrated its commitment to project objectives by establishing three new Reserved Zones (Santiago-Comaina, Gueppi and Alto Purus), surpassing the 10% target. Consequently, project emphasis is now on participatory management of the four already established protected areas and the participatory creation of a new one (El Sira).

Clustering of Components

4. At the time of Work Program entry, the project had five components: (i) creation of new conservation areas, (ii) development of management plans, (iii) institutional strengthening,

capacity building and program management, (iv) community led investments, and (v) monitoring and evaluation.

5. During project preparation and appraisal, components (i) and (ii) were merged into component I (Participatory Biodiversity Conservation), with an emphasis on participatory management rather than participatory establishment of protected areas. Community Led Investments became component II Sustainable Use of Biodiversity; Monitoring and Evaluation became component III. And the institutional strengthening component became component IV: Project Management.

Table 1
Reclustering of Project Components

Work Program Entry	Final PAD
(i) Creation of New Conservation Areas,	(i) Participatory Biodiversity Conservation
(ii) Development of Management Plans	(ii) Community Led Investments
(iii) Institutional Strengthening	(iii) Monitoring and Evaluation
(iv) Community Led Investments	(iv) Project Management
(v) Monitoring and Evaluation	

Changes in Financing Plan

6. At the time of Work Program entry, the total project cost was estimated at \$24.00 million, of which \$10 million from GEF and \$5 million from IBRD. At the time of WP entry, we were requested to assess carefully absorptive capacity at the local level. Therefore, as finally submitted for CEO endorsement, the total cost of the project has decreased somewhat, to \$22.75 million. The WB/GEF contribution remains unchanged, but the co-financing shares have shifted among the local partners. As finally agreed, \$3.14 million will be come from the GOP, \$3.6 million from local Non-Government Organizations and \$1.01 million from the beneficiaries. Part of the modification of the overall budget is due to the withdrawal of planned WWF financing due to uncertainties whether WWF will participate as a partner organization in implementing the monitoring and evaluation component. For reasons related to the World Bank procurement guidelines, WWF will now compete with other qualified environmental organizations for the implementation of this component. Co-financing by WWF of the monitoring component could be forthcoming if WWF is selected to carry out the monitoring and evaluation component.

Finalization of Project Implementation Design

7. During final preparation and appraisal, it was agreed that INRENA would establish a Special Implementation Unit (SIU) with a substantial degree of autonomy. At the field level,

Field Project Teams will integrate INRENA staff and indigenous promoters. The selected organization or institution responsible for monitoring and evaluation will be responsible also for developing INRENA's monitoring capacity so that it can execute these functions by the end of the project period.

Comments by GEFSEC

Alternative Action Supported by the Project

8. *GEFSEC recommended exploring the possibility of working within existing PAs to identify innovative ways to increase indigenous management.* As recommended by GEFSEC, the preparation process looked not just at the creation of new protected areas but also whether existing areas within SINANPE could benefit from the proposed project approach. As a result, Pacaya-Samiria was identified as an existing protected area which should be included in the project to increase indigenous management. Pacaya-Samiria therefore complements the new areas which have recently been established (Santiago-Comaina, Gueppi and Purus). Currently, only El Sira remains to be established as a protected area. The issue is now to foster indigenous participation in area and resources management.
9. *GEFSEC recommended exploring the possibility of involving PROFONANPE more closely in this proposed project as a longer-term source of financing and as a conveyer or broker to bring actors together.* PROFONANPE is now involved as a longer-term source of financing. Convening of actors together has been successfully achieved by the establishment of a Project Directive Committee during PAD preparation, and will be reinforced by the establishment of a Steering Committee for project implementation.
10. *GEFSEC recommended to look further into the absorptive capacity of the protected areas, as US\$24 million appeared to be a large sum for five protected areas.* This issue has been discussed in detail during project preparation. The final project cost has been reached on the basis of detailed estimations of the actual costs of studies, workshops, training, infrastructure, and other activities similar to the ones considered in the project, recently implemented in Pacaya-Samiria and other protected areas. The Sustainable Use of Biodiversity Component has been set at US\$7.47 million, of which \$1.75 million will be devoted to sub grants to fund indigenous biodiversity sub projects. The reduction in the amount assigned to sub grants reflects a detailed analysis of the absorptive capacity of local indigenous communities
11. *GEFSEC inquired about gender issues in project design.* The issue of gender was looked into during preparation and at appraisal it was agreed that a gender specialist will be funded by the project to reinforce such perspective at the DGANPFS level and through project implementation.

12. *GEFSEC inquired about the consultation process.* Annex 13 provides details on the extensive consultation process undertaken as part of project preparation with PDF Block B resources.
13. *GEFSEC inquired about incremental costs and the calculations substantiating the figures.* Incremental costs have been estimated during project preparation. Detailed data are available in Annexes 4 and 5.

Comments by STAP

14. *STAP comments referred to the difficulty of increasing the areas under protection, the replicability of the project, the role of capacity building and the project's innovation in terms of approach and implementation.* During preparation the team has undertaken a serious effort to increase the reserved areas before negotiations, an effort which culminated in GOP approval of 7 million additional hectares under reserve status. Moreover, to increase replicability, the monitoring function has been strengthened. Capacity building under the project has been more accurately defined and additional NGOs have been introduced to assist the communities in their innovative conservation projects and programs.

Comments by Council:

Comments by France :

15. *Insufficient attention to sustainability of indigenous participation of monitoring and indigenous organizations in general.* Component III includes indigenous participation and knowledge in field monitoring and evaluation. Component I includes training of indigenous leaders and institutional strengthening of their organizations.

Comments from Germany

16. *There is no output securing financing for government to cover recurrent costs and to strengthen and revise legal framework.* INRENA assumes 50% of operational costs on a declining scale and will, by the end of the project, assume 100% of operational costs. The Protected Areas Law has been issued, approval of its regulations is a condition for effectiveness.
17. *A number of related projects are mentioned and should provide important lessons for the proposed project.* Two midsize projects have been under implementation for a year now and the lessons learned have been incorporated in section D.3.
18. *Measures to handle the critical risks are not mentioned nor is there an assessment of the risk rating.* The risk analysis is in section F.2. and the overall risk rating is modest.

Comments from Finland:

19. *On the selection of the areas.* Selection was made taking into account both global biodiversity significance and indigenous interest in co-management. The selected new target areas are indeed of global importance, but in only one (El Sira) the establishment of a Communal Reserve is the single option considered. In Santiago-Comaina, Gueppi and Purus there results of technical analysis and consultation processes during project preparation indicate the convenience of a combination of categories, including Communal Reserves where indigenous communities will have access, with strict conservation categories (national parks, sanctuaries or reserves).
20. *On the participatory nature of the project.* Consultations before and during project preparation have been intense. Indigenous consultations took place early in project design, and later PDF Block B resources allowed for extensive consultations with local organizations and communities in the five target areas. All along, the two main indigenous national representative organizations (AIDESEP and CONAP) participated in the Project's Directive Committee. On participatory mechanisms in project implementation, see Section B and Annex 13.
21. *On project implementation.* As suggested, INRENA will set up a Special Implementing Unit in charge of project implementation. Indigenous, Environmental and Gender specialists will provide technical assistance to INRENA.
22. *On central government's environmental institutional and regulatory weakness.* Environment remains relatively low in the national agenda, and Peru still faces weaknesses regarding its environmental institutions and regulations. Nevertheless, in 2000 INRENA has been put in charge of forest management, a responsibility previously in the hands of the Ministerio de Agricultura; a new Forestry Law has been passed; the Master Plan for Protected Areas has been approved; and the regulations of the Natural Protected Areas Law are being prepared. In this context, the project aims at strengthening INRENA's capacities while fostering indigenous participation in protected area management.

Comments from Netherlands:

23. *On institutional design..* Roles of institutions have been clarified, with INRENA as implementing agency, AIDESEP and CONAP as indigenous representatives at the Steering Committee level, SETAI as a representative at the same level (CONAM was permanently invited as well to the Project Directive Committee during project preparation). WWF participated in project design the framework of the WB-WWF Alliance. It will now participate in a competitive process to select the independent entity in charge of implementing the M&E component. NGOs have been and will continue to be members of the PDC and the Steering Committee to be established.
24. *On property rights.* The issue has been discussed in depth during project preparation. A consensus has been reached that no protected areas will be established including indigenous lands, in order to avoid property rights overlap and possible resettlement issues.

We look forward to receiving your final endorsement.

Cc : Messrs./Mmes. Guerrero, Werbrouck (LCC6C); Redwood, Serra, Lovejoy, Kimes, Bradley (LCSES); Castro, Aryal, Khanna (ENVGC); Varela (LEGLA).

IRIS2
ENVGC ISC

PERU

Indigenous Management of Protected Areas in the Peruvian Amazon

Project Appraisal Document

Latin America and Caribbean Region

LCSES

Date: March 2, 2000	Team Leader: Carlos Monge
Country Manager/Director: Isabel M. Guerrero	Sector Manager/Director: John Redwood
Project ID: P065200	Sector(s): VI - Environmental Institutions
	Theme(s):
Focal Area: B - Biodiversity	Poverty Targeted Intervention: N

Project Financing Data				
<input type="checkbox"/> Loan	<input type="checkbox"/> Credit	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Guarantee	<input type="checkbox"/> Other:
For Loans/Credits/Others:				
Amount (US\$m): 10'000,000				

Financing Plan:	Source	Local	Foreign	Total
BORROWER		3.08	0.06	3.14
LOCAL COMMUNITIES		1.01	0.00	1.01
GLOBAL ENVIRONMENT - ASSOCIATED IBRD FUND		4.97	0.03	5.00
GLOBAL ENVIRONMENT FACILITY		9.55	0.45	10.00
NON-GOVERNMENT ORGANIZATION (NGO) OF BORROWING COUNTRY		3.59	0.02	3.60
Total:		22.20	0.55	22.75

Borrower/Recipient: INRENA		
Responsible agency:		
INRENA		
Address: Los Petirrojos No 355, San Isidro, Lima, Peru		
Contact Person: Dra. Josefina Takahashi		
Tel: 224-3037	Fax: 224-3218	Email: Inrena-Dganpfs@Terra.Com.Pe

Estimated disbursements (Bank FY/US\$M):							
FY	2001	2002	2003	2004	2005	2006	
Annual	0.80	2.40	3.20	2.30	0.80	0.50	
Cumulative	0.80	3.20	6.40	8.70	9.50	10.00	

Project implementation period: 5 years

A. Project Development Objective

1. Project development objective: (see Annex 1)

The Amazon Region of Peru is one of the most important repositories of biological diversity on the planet. Given its strategic location in the upper watershed of the basin, Peru's Amazon Region contains a very rich biodiversity expressed in terms of its unique richness of species, high levels of endemism, and habitat diversity. Its conservation is of utmost importance in the goal of preserving the world's biodiversity. The project emerges from a commitment by the Government of Peru (GoP) to expand effective forest conservation in the Amazon Region. In parallel, the GoP is also promoting a greater involvement of local communities (particularly indigenous peoples) in the direct management of protected areas to ensure equitable sharing of the benefits resulting from conservation.

The conservation and sustainable utilization of important forest ecosystems in the Peruvian Amazon Region through the establishment of protected areas to be co-managed by indigenous people is a global objective supported by the Global Environment Facility (GEF). The development objective of the project is to increase the sustainability of biodiversity conservation through the involvement of indigenous communities in the management of new and existing protected areas in the Peruvian Amazon Region. This will be achieved by: (i) establishing, categorizing and promoting the participatory management of five protected areas; ii) promoting economically, socially and environmentally sustainable investments by indigenous grassroots organizations; (iii) developing and implementing a participatory monitoring and evaluation system for the project areas and the National Natural Protected Area System (Sistema Nacional de Areas Naturales Protegidas por el Estado - SINANPE) as a whole; (iv) strengthening the institutional and technical capacity of INRENA and indigenous organizations to sustainably manage the protected areas and their natural resources.

Therefore, the project combines national biodiversity conservation with long-term and sustained poverty alleviation objectives aimed at Amazonian indigenous people. The project will also allow the GoP to implement communal indigenous participation in protected area management as a tool to increase the social sustainability of its system of protected areas through facilitating the generation of benefits emerging from protected areas to local communities.

2. Key performance indicators: (see Annex 1)

1. Indigenous people co-manage protected areas in the five target zones through their participation in the corresponding Protected Areas Management Committees.
2. Biodiversity loss is stopped in five target areas.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

Document number: 16796 PE

Date of latest CAS discussion: 06/26/97

The Project is consistent with the Bank's Country Assistance Strategy (CAS) for Peru and will contribute to support its goal of attaining sustained and continuous reduction of poverty. A central assumption linking the project's development objective to this goal is that the establishment of participatory mechanisms for protected areas management supports sustainable poverty reduction through enhanced natural resources management in the Amazon region of the country.

1a. Global Operational strategy/Program objective addressed by the project:

Peru ratified the Convention on Biological Diversity (CBD) on June 7, 1993. The proposed project is consistent with the GEF Operational Strategy, supporting long-term protection of globally important ecosystems. This project supports Operational Programs 3 (Forests Ecosystems) and 2 (Freshwater Ecosystems).

The project is fully consistent with Peru's first report to the Fourth Meeting of the Conference of the Parties to the Biological Diversity Convention (COP IV). The project is also fully consistent with the principles of the CBD by supporting all three levels of biodiversity (ecosystems, species, and genes) and supports COP Decisions I/8, II/8, II/9, III/9, III/10 and III/12, and Recommendation I/3 of the Subsidiary Body on Scientific, Technical, and Technological Affairs (SBSTTA) of the CBD.

The GEF will finance the incremental costs of promoting local sustainable uses of natural resources in four currently existing and one to be created protected areas, working towards the achievement of their long-term biological and social sustainability by ensuring a meaningful level of participation by local indigenous communities.

2. Main sector issues and Government strategy:

The Amazonian indigenous population is among the poorest in Peru. This is a threat to biodiversity conservation and sustainable natural resources management because poverty fuels short-term extraction of natural resources. Unsustainable extraction of natural resources and unplanned settlement in rural areas have caused heavy environmental degradation, including a serious loss of biodiversity. The main sectors relevant to this project are indigenous people, natural resources management, and biodiversity conservation through participatory protected area management.

Biodiversity Conservation, Natural Resources, and Protected Area Management. The establishment of protected areas and their categorization under various regimes of use is a central tool in increasing biodiversity conservation and sustainability of natural resources management.

Impacts to date of conservation efforts in Peru are still limited due to weak local and national public awareness, lack of sufficient public resources, and increasing but still inadequate coverage of protected areas in the Amazon Region. In addition, the lack of indigenous participation in conservation and sustainable use threatens their rights as peoples that have occupied the Amazonian area for at least the past millennium and limits opportunities to benefit from their knowledge of natural resources sustainable use.

In recent years the Peruvian Government has increased efforts towards biodiversity conservation and sustainable use, including important steps towards the consolidation of the SINANPE. Among the most important are the following:

- a) Consolidation of a coherent policy framework for biodiversity conservation and protected area management. Steps to date have included the approval of a Biodiversity Law, a Protected Areas Law, and the elaboration of a strategy for SINANPE (Supreme Decree DS 010-99-AG), following a process of consultation and participation, which incorporates the most up-to-date participatory concepts and proposals for the management of protected areas. The resulting Master Plan (*Plan Director*) for SINANPE identifies new protected areas that need to be established in order to achieve eco-regional representation and to protect the highest priority areas.
- b) SINANPE will eventually include approximately 65 protected areas of national importance covering between 12 and 15 percent of the country's territory. The national system currently includes 52 protected areas, 17 of which are "Reserved Zones", awaiting permanent categorization. Three Reserved Zones (Santiago-Comaina, Gueppi and Alto Purus) have been created in the context of project preparation.
- c) A significant increase in the amount of National Treasury resources allocated to protected areas management. Between 1991 and 1998, protected areas grew from 39 to 48; areas with a Protected Area Director from 10 to 39 and total number of park rangers from 60 to 240. State budget allocations to the SINANPE increased from US\$163,400 to approx. US\$1.5 million. In the last years INRENA as such has administered annual budgets close to US\$500,000. At the same time, the SINANPE has benefited from allocations through the Peruvian National Trust Fund for Protected Areas (Fondo Nacional para Areas Naturales Protegidas por el Estado) (PROFONANPE), that have grown from US\$500,000 in 1996 to US\$2.4

million in 1998. In the last two years, the GoP and the PROFONANPE have worked out two debt swaps for nature, which in fact imply further transfers of public resources to the protected areas of the country. See Annex 4)

d) The creation and successful operation of a national protected areas fund administered by PROFONANPE. PROFONANPE's goal is to provide stable long-term financing for biodiversity conservation through the administration and channeling of financial resources to the management of protected areas and buffer zones. On the basis of a Trust Fund established with support of a GEF Grant, it has succeeded in channeling funds from grants and debt-for-nature swaps from a variety of sources.

e) Formulation of master plans and management plans, utilizing participatory planning methodologies in consultation with key stakeholders. Bilateral donors have contributed to the implementation of various integrated conservation and development projects in areas such as Manu National Park, Pacaya-Samiria National Reserve, the Tumbes Mangroves National Sanctuary, Ampay National Sanctuary, Yanachaga-Chemillén National Park, Huascarán National Park, and Bahuaja-Sonene National Park.

Rural Poverty and Indigenous People. This project benefits from sector and preparation work already conducted through the Indigenous and Afro-Peruvian Development Project, a Learning and Innovation Loan (LIL). Amazonian indigenous people face important development challenges related to: (i) an inconsistent legal and institutional framework towards indigenous people that guarantees them neither secure access to their land nor the control over natural resources use; and (ii) existing disparities between urban/rural and indigenous/non-indigenous poverty.

Although there had been some reduction in rural poverty in recent years, prior to the current recession, most economic gains have occurred in urban areas. This has led to a higher concentration of poverty in rural compared to urban areas. Almost 50 percent of the poor and 60 percent of the extreme poor in Peru lived in rural areas in 1997, whereas more than two-thirds of the total population lives in urban areas. In addition, the indigenous population is falling further behind the non-indigenous population. Indigenous peoples were 40 percent more likely to be poor than the non-indigenous population in 1994, and 49 percent more like to be poor in 1997 (see *Poverty and Social Developments in Peru, 1994-1997*).

The GoP has implemented a poverty reduction strategy that has combined the promotion of market oriented reforms to increase the poor's opportunities, with special resource transfer and capacity building programs. Since the early 90s, the GoP has deregulated markets, stimulated entrepreneurial organization and provided technical assistance to the rural poor to increment their opportunities in the national and international market environment. At the same time, through a number of poverty alleviation programs such as the National Social Compensation and Development Fund (Fondo Nacional de Compensación y Desarrollo - FONCODES) and the National Program for River Basin Management and Soil Conservation (Programa Nacional de Manejo de Cuencas Hidrográficas y Conservación de Suelos - PRONAMACHCS), the GoP has transferred resources and capacities to local populations in rural areas of extreme poverty to address short-term needs and set the foundations for sustainable development. FONCODES has prioritized the generation of short-term employment and incomes, funding productive and social infrastructure initiatives. PRONAMACHCS, operating only in the Andean Region, promotes soil conservation, forestation and small scale irrigation.

In all cases, these projects are demand driven, with local grassroots organizations prioritizing their initiatives and in charge of sub project implementation. At the same time, sustainability of these activities is not assured as emphasis has not been placed on establishing mechanisms and fostering local institutional capacities to manage the resulting infrastructure in a sustainable way. Strengthening of local capacities and institutional mechanisms to insure sustainability of implemented activities is still a challenge in the fight against poverty.

3. Sector issues to be addressed by the project and strategic choices:

Biodiversity Conservation. Peruvian protected areas legislation recognizes a large number of management categories for protected areas, including communal reserves, national reserves, national parks, and others. The project takes advantage of this diversity of options for protected areas and proposes the establishment of those most appropriate for biodiversity conservation and sustainable resource use in the areas concerned. The main strategy to be pursued by this project derives from the need for direct participation of indigenous communities in the management of conservation areas. Lessons learned in Peru and elsewhere have demonstrated that the sustainability of protected areas is reinforced when the local population benefits directly from their establishment and participate in the decision-making processes. There are currently more than 50 ethnic groups in Peru, and their organizations have expressed a special interest in maintaining the biological integrity of the areas where they live through conservation and the promotion of development options which maintain the greatest possible degree of forest cover. In the case of this project, the indigenous participatory strategy will be implemented through the communal management of areas in the case of the communal reserves, through co-management mechanisms in the case of indirect use areas within the SINANPE, and through management plans designed for titled communal land. Therefore, the project supports the strengthening of the National Institute for Natural Resources (INRENA) capacity to execute policy commitments related to increased participation of local communities in the management of protected areas.

Rural Poverty and Indigenous People. Extreme poverty and market integration has led indigenous populations to abandon traditional sustainable uses of natural resources embarking on unsustainable extractive activities. In many cases, measures to mitigate negative impacts were taken without the consultation and participation of local communities. The project will address the issue of indigenous people's poverty by developing a number of technical instruments that establish the possible uses of natural resources in and around protected areas (master plans, public use plans, resources use plans, zoning plans) and funding indigenous initiatives for the sustainable use of such resources, including basic economic studies, pre-investment studies, investments, and technical assistance for project implementation.

Colono, mestizo and ribereño populations are part of rural poor in the Peruvian Amazon. In many cases, specially when new migrants are involved, they constitute a mayor threat to biodiversity and also to indigenous rights as they press over the land and the resources. The project -even when centered in the indigenous populations- will have a positive impact on these sectors as participants of the PAMCs. Though such participation, the colono, mestizo and ribereño leadership will raise its consciousness on the strategic importance of conservation and sustainable use of natural resources and of adequate protected area management.

In general terms, the GEF Project Preparation and Development Facility (PDF) Block B grant activities have been instrumental in refining the project strategic choices, outlined during the preparation of the Project Concept Document (PCD). Issues for which PDF Block B has been crucial are:

3.1 Selection of project target zones areas and protected area's creation and categorization.

The initial selection of target areas for project implementation was the result of a consultative and participatory process which included representatives from INRENA; the Ministry for Women and Human Development (PROMUDEH); indigenous groups, including their two confederations, the Inter ethnic Association for the Development of the Peruvian Rainforest (AIDSESP) and the National Amazon Confederation of Peru (CONAP); and national and local NGOs. It took into account proposals made by local indigenous organizations and social and technical criteria identified during the design phase of the project, sharing the view that new protected areas needed to be created. At that point, the decision was to work in Pacaya Samiria National Reserve and in four still to be established protected areas: Santiago-Comaina, Purus, Gueppi and El Sira. Along the process of project preparation, three new protected areas have been established as Reserved Zones, but not yet categorized (Santiago-Comaina, Gueppi and Alto Purus). Only El Sira remains now to be established as a protected area. It is important to note here that, according to the Peruvian legislation, protected areas can be established initially as Reserved Zones, to be later "categorized", that is assigned permanently one of the 9 categories contemplated in the Law of National Protected Areas. These are National Parks, National Sanctuaries, Historical Sanctuaries, Scenery

Reserves, Wildlife Refuges, National Reserves, Communal Reserves, Protection Forests, Hunting Areas.

In relation to the protected areas to be created and/or permanently categorized, the PDF Block B technical studies and consultation process have ratified the choice of areas in terms of their importance for biodiversity conservation, and at the same time have helped gain more precision concerning protected area coverage, creation timing, and local actors and interests concerning final categorization.

a) In Santiago-Comaina, PDF Block B activities allowed for a better knowledge of local actors and interests in a complex scenario in which indigenous titled lands, Communal Reserves, Protection Forests and National Parks need to be seen as components of one single conservation and sustainable use strategy. In this Reserved Zone, on the basis of a consensus emerging out of Block B activities, the GoP has recently extended the area covered in the Reserved Zone.

b) In Gueppi, project preparatory workshops identified the need for further technical studies and consensus building between local indigenous groups and the National Development Institute (INADE) regarding the exact dimensions of a National Reserve and a Communal Reserve to be permanently categorized from the currently existing Reserved Zone.

c) Project preparation in Alto Purus substantiated the GoPs recent decision to create this area as a Reserved Zone of over 5 million hectares (the largest protected area in the country).

d) INRENA and indigenous communities have ratified their willingness to create and manage a Communal Reserve in El Sira. The technical documentation sustaining the creation of a Communal Reserve was presented years ago and only needs some minor updating to be processed.

e) Finally, in the Pacaya-Samiria National Reserve, project preparatory activities supported the drafting of the Reserve's Master Plan. Further information on the biological and socioeconomic characteristics of the project's target zones can be found in Annex 12.

3.2 Institutional and implementation arrangements.

Project preparation also helped to clarify issues related to project institutional and implementation arrangements. Regarding institutional arrangements, project preparation has demonstrated:

- i) The importance of a Project Steering Committee (SC) where all stakeholders can participate;
- ii) The importance of having a Special Implementation Unit (SIU) within INRENA that can simultaneously guarantee efficiency in execution and adequate INRENA leadership;
- iii) The importance of reinforcing INRENA's local teams for project implementation, with the sufficient operating autonomy and with involvement of local indigenous leaders.
- iv) The importance of establishing participatory mechanisms, such as the Zonal Coordinating Committees, for indigenous participation in project implementation.

3.3 Sustainability of participatory strategies.

Project participatory strategies will be further sustained by collaborating with the activities foreseen in the Indigenous and Afro-Peruvian Development Project LIL to be implemented by the Secretaría Técnica de Asuntos Indígenas (SETAI) of PROMUDEH. The LIL will fund drafting of an indigenous law (Ley de Desarrollo Indígena); sensitizing public sector officials on indigenous peoples rights; and providing technical assistance and institutional strengthening of local indigenous organizations in two of the five target zones of the INRENA Grant, the Alto Purus Reserved Zone and the Santiago-Comaina Reserved Zone.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The project will finance the implementation of four components:

Participatory Biodiversity Conservation. The project will finance: (i) preparation of planning documents and the consultative process for creation of a new protected area and the permanent categorization of three existing Reserved Zones; (ii) establishment of Protected Area Management Committees (PAMC) in the five target areas; (iii) creation of a community based and managed Protected Area Surveillance System (PASS); (iv) training in participatory methods for indigenous community leaders; (v) implementation of a public awareness program; (vi) the construction and refurbishment of facilities (Park Management Facilities, Interpretation Centers, and other minor infrastructure) in the project areas; (vii) local staff and specialists on indigenous affairs and monitoring evaluation to be part of the Project Field Team, and the necessary office, transportation and communications equipment and resources.

Sustainable Use of Biodiversity. The project will finance: (i) preparation of management plans for titled indigenous land; (ii) technical studies for awarding community natural resource use contracts; (iii) demand and market studies; and (iv) biodiversity investment sub-grants. These sub-grants will include funding for pre-investments, investments and technical assistance. Investments will require 50% co-funding by beneficiaries.

Monitoring and Evaluation System (MES). Support will be provided to INRENA to establish a MES Unit at the central level and zonal levels and to contract: (i) an analysis of the conservation and socioeconomic status of project areas and baseline information; (ii) development of biological and socio-economic databases and Geographical Information System; and (iii) preparation and initial implementation of biological and socio-economic monitoring plans as well as a matrix for measuring the effectiveness of the management of the protected areas included under this project; (iv) INRENA staff and local indigenous promoter's training. Staff, equipment and operational costs for the central and zonal units will be covered under this component.

Project Implementation. The project will strengthen the capacity of INRENA to manage the areas of SINANPE included under this project. The project will finance: (i) Central staff and field staff, equipment and operational costs jointly with INRENA; (ii) consultant services for legal, social and gender issues; (iii) project's coordinating mechanisms.

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank financing (US\$M)	% of Bank financing	GEF financing (US\$M)	% of GEF financing
A. Participatory Biodiversity Conservation	Natural Resources Management	9.24	40.6	2.29	45.8	4.31	43.1
B. Sustainable Use of Biodiversity	Natural Resources Management	7.75	34.1	2.53	50.6	3.11	31.1
C. Monitoring and Evaluation	Natural Resources Management	2.00	8.8	0.00	0.0	1.28	12.8
D. Project Management	Environmental Institutions	3.76	16.5	0.18	3.6	1.30	13.0
Total Project Costs		22.75	100.0	5.00	100.0	10.00	100.0
Total Financing Required		22.75	100.0	5.00	100.0	10.00	100.0

2. Key policy and institutional reforms supported by the project:

The project will reinforce key policies aimed at conserving biodiversity and furthering institutional reforms underway.

- **Long term vision for biodiversity conservation.** With assistance to be provided for the creation of a new protected area and the definite categorization of three Reserved Zones the project will strengthen SINANPE as a system that contains and allows for the conservation of a representative sample of the country's critical ecosystems.

- **Participatory management.** The project will support participatory management policies as outlined in the SINANPE Master Plan and the Biodiversity Conservation Law by contributing towards the establishment and operations of PAMCs and creating community surveillance systems in areas of project intervention.
- **Indigenous dimension.** The project supports policies which recognize and protect the collective knowledge of indigenous peoples, assisting them in making sustainable use of existing resources in an economically, socially and environmentally sound manner and active participants in protected area management mechanisms. Indigenous communities will also participate in project management through the ZCCs.
- **Decentralization.** Strengthening management and administration of protect areas and involving local governments in decision making processes related to protected areas furthers decentralization policies
- **Generation of accurate information for decision making.** Developing monitoring and evaluation systems for biodiversity conservation will contribute to a more rational use of natural resources, contributing to the well-being of indigenous communities within the protected area system.

3. Benefits and target population:

The expected benefits from the project include

- Incorporation of approximately 650 000 new hectares to SINANPE.
- Definite categorization of approximately 6.5 million hectares now under a transitional category.
- Use of natural resources in project areas by over 300 indigenous communities for their own benefit.
- Added surveillance of five protected areas by communities themselves.
- Trained indigenous leaders in participatory mechanisms.
- Increased income of 100 indigenous groups through natural resource biodiversity investments.
- Participatory management mechanisms in five protected areas.
- Monitoring and evaluation tools for biodiversity conservation for SINANPE as a whole.
- Institutional capacity for management of SINANPE.

The project's target population includes indigenous communities within the five protected areas under this project. The target population includes 16 ethnic groups: Aguaruna, Huambisa, Cocama, Qicha, Hitoto, Secoya, Ashanika, Yanesha, Shipibo, Cashinahua, Sharanahua, Amahuaca, Culina, and Mastahuana, Mashco-Piro and Muruhuana. It is estimated that over 300 communities will benefit representing a total of 90,000 beneficiaries or 18,000 families.

4. Institutional and implementation arrangements:

Institutional and implementation arrangements for this project were discussed during appraisal with the Director of INRENA and reflect agreements reached for overall project execution.

4.1 Institutional Arrangements

Implementing Agencies: INRENA is the project's implementing agency.

Project Management: The project will finance the establishment of an Special Implementation Unit (SIU) within INRENA. The SIU will have legal, administrative and financial autonomy. The establishment of the SIU, to the satisfaction of the Bank, will be a condition for grant effectiveness. The SIU will be composed of a Central Project Team (CPT) and five Field Project Teams (FPT).

The CPT, to be established at INRENA headquarters in Lima, will be staffed by: (i) a Project Coordinator; (ii) an administrator; (iii) an accountant; (iv) a treasurer; (v) a monitoring and evaluation specialist; and (vi) support staff. Its main task will be to: (i) administer and manage the project; (ii) ensure coordination of project activities with INRENA projects and programs and government institutions involved in indigenous people issues; (iii) procure goods and services; (iv) establish, administer and supervise the work of FPTs; (v) monitor and evaluate project progress, (vi) contract annual external auditing of project accounts and represent the project before the PSC.

The FPTs consist of the existing or to be established local INRENA teams in each of the five target areas. FPTs will operate in the cities of Santa María de Nieva (Santiago-Comaina); Santa Teresa (Gueppi); Nauta (Pacaya-Samiria); Esperanza (Alto Purus); Puerto Bermúdez (El Sira). ZPTs will be staffed by: (i) a Local Project Coordinator (LPC, a responsibility to be assumed by the Protected Area Chief); (ii) an administrator; (iii) an indigenous people specialist; (iv) a monitoring and evaluation specialist; and support staff. The ZPTs will undertake field implementation and coordination of project activities with public and private institutions operating in the project area. They will be responsible for: (i) supervising the work of outside contractors responsible for the preparation of master, public use and management plans; (ii) assisting local communities in the preparation of funding proposals; (iii) supervising the execution of sub projects by beneficiary communities; (iv) preparing annual operating plans; (v) supporting the work of the ZCCs. Core staff will be appointed to the satisfaction of the Bank.

Project Coordination: Guidance in project implementation will be provided at the national level by a Steering Committee (SC). The SC will be composed of: (i) the Director of DGANPFS of INRENA who will preside it; (ii) a representative of the SETAI of PROMUDEH; (iii) two representatives of indigenous people organizations appointed by AIDSEP and the CONAP; (iv) a representative of the National Environmental Society (SNA); (v) a representative of the Peru Chapter of the International Union for Conservation of Nature (IUCN-Peru). The SC will: (i) provide policy guidelines for project implementation; (ii) approve key staff appointments; (iii) approve annual operating plans and budgets (AOPB); (iv) review annual project implementation reports; (v) consider project implementation monitoring reports; review annual audit reports.

Guidance at the local level will be provided by Zonal Coordinating Committees (ZCCs), to be established in the five project implementation areas. These committees will be integrated by the LPC and representatives of the local indigenous communities. These committees will: (i) review annual operating plans; (ii) consider and approve sub grant proposals for sustainable productive investments submitted by local organizations; (iii) review reports on sub-projects implementation; and (iv) ensure coordination of project activities with overall participatory mechanisms within the area PAMCs.

Relations between Zonal Coordinating Committees and Protected Areas Management Committees:

PAMCs are mandated by law as the local institutional frameworks where local stakeholders can oversee protected areas management. The regulations of the Natural Protected Areas Law will define the specifics of representation to the PAMCs by the different stakeholders, including the local indigenous populations and their organizations. Regarding the relations between the project's ZCCs and the PAMCs: (i) The LPC in charge of the ZCC is at the same time the head of the PAMC; (ii) the establishment of the ZCCs, which depends on a project's decision, will be immediate; (iii) selection of indigenous representatives to the ZCCs will be immediate, and based on the agreement that representatives to the ZCC will be the same representing the indigenous communities to the PAMCs; (iv) the timing and procedures for the establishment of the PAMCs are to be spelled out in the Regulations of the Protected Areas Law and will require a technical and legal procedure through INRENA; (v) ZCCs working plan will include an specific training component for indigenous leaders on PAMCs and their participants' rights and obligations; (vi) ZCCs will have a say on project implementation while PAMCs will have a say on protected area management, including those project activities that have a direct relation to protected area management.

4.2 Implementation arrangements

Operations Manual (OM):

A draft Operations Manual (OM) has been prepared and should be revised to include decisions taken during appraisal. The OM will contain: (i) a proposed Ministerial Decree for establishment of the SIU; (ii) a draft Project Rules and Regulations for project coordination and implementation (*Reglamento Operativo*) including Terms of Reference for the SC (SC); (iii) disbursement, procurement, accounts, auditing and reporting procedures including Terms of Reference (TOR) for external auditors; (iv) description of training programs and methodologies; (iv) project monitoring and evaluation plan. Approval of the OM by the Bank is a condition for

Grant effectiveness.

Sub-grants Operations Manual:

A Sub-grants Operations Manual will be prepared in order to establish: (i) beneficiary and project eligibility criteria for sub grants including a description of the sub-grant project cycle and standard format contracts between the project and sub-grant beneficiaries. Approval of the Sub-grants OM will be a condition for disbursement of funds for Project Component 2 Sustainable Use of Biodiversity.

Monitoring and Evaluation:

The monitoring and evaluation of project activities will be the responsibility of the INRENA MES Unit to be established with project funds. Monitoring will be carried out in accordance with an agreed upon Monitoring Plan to be included in the project's Operation Manual. Progress will be measured against the project's Logical Framework Matrix and performance indicators by component and activity. Baseline activities, establishment of data bases and training of INRENA MES staff, will be subcontracted to consultants.

Operating Plans and Budgets:

An Annual Operational Plan and Budget (AOPB) for project year 1 has been prepared during appraisal . Subsequently the SIU will prepare yearly AOPBs no later than 15 December of each project year.

Procurement arrangements: (see Annex 6)

The CPT will be responsible for all project procurement in accordance with standard Bank procedures. Annual procurement plans will be included in the AOPBs and submitted for consideration by the Bank. Procurement will include: civil works, consultant services, goods and equipment, and training. Bi-annual procurement reviews will be undertaken.

Accounting, auditing and reporting (see Annex 6)

The financial administration of the project will be the responsibility of the CPT, which will employ a qualified financial manager and additional staff as required by Peruvian legislation for establishing SIUs in government departments. The CPT will open a Special Account (SA) in a commercial bank acceptable to the Bank. Initially, under US\$2'000,000 are disbursed, the authorized allocation will be limited to US\$500,000. After such threshold has been reached, the authorized allocation will be extended up to US\$ 1'000,000. External audits will be engaged annually with terms of reference acceptable to the Bank. The opinion and related statements will be presented to the Bank within six months of the fiscal year end. The CPT will prepare mid-year and annual reports for consideration by the SC and submission to the Bank. Upon project completion INRENA will prepare an Implementation Completion Report (ICR).

Project Supervision

The project will be supervised by the Bank's Peru office. An Inception Mission composed of the Task Manager, a Procurement Officer and an Indigenous People specialist will assist INRENA during project start-up, once effectiveness has been declared. The Bank's Task Manager will supervise the project twice yearly during the life of the project. Supervision reports will take the form of an Aide Memoire to be signed by the Task Manager and the Director of INRENA.

Relation of project with other Bank funded projects in Peru:

The project will interface with two Bank funded projects: (i) the Indigenous People and Afro-Peruvian Development LIL and (ii) the Participatory Management of Protected Areas, second GEF Grant to PROFONANPE project.

(i) *Indigenous People and Afro-Peruvian Peoples Development LIL* This US\$ 5 million LIL to be implemented by the SETAI of PROMUDEH will strengthen the organizational capacity of indigenous communities involved in two coinciding intervention zones: the Alto Purus Reserved Zone and the Santiago-Comaina Reserved Zone. It will establish a Geographic Information System (GIS) at SETAI, provide training in management of entrepreneurial and income-generating activities and fund pre-feasibility and pre-investment studies. In order to ensure compatibility among the two projects a representative of SETAI will integrate the SC.

(ii) *Participatory Management of Protected Areas Grant.*

This new GEF project -currently preparing its Project Concept Document for Bank and GEF consideration- will focus on the consolidation of 10 to 13 protected areas, promoting the establishment of its PAMCs; preparing categorization proposals; funding sustainable uses of natural resources; and strengthening INRENA's overall capacities as the leading SINANPE Institution. There will no area overlap between these projects, because the areas selected for the PROFONANPE proposal are different from the ones considered for in this one. Thematically, the PROFONANPE proposal focuses on a broad participatory approach that includes indigenous peoples along with all other local stakeholder, and that promotes the decentralization of conservation and protected area management, including the possibility of turning park administration to the private sector, under INRENA supervision. Projects will interface when it comes to INRENA's institutional strengthening. regarding the INRENA M&E capacities developed by this project, the PROFONANPE one will implement them in 10 to 13 additional areas. The PROFONANPE proposal also considers strengthening INRENA's capacities regarding internal SINANPE communications and external oriented dissemination.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

The following were options considered but rejected:

a) Focus on non-protected areas.

This option was rejected because of its inherent weaknesses related to the lack of clear land-use rules and tenure and lack of institutional enforcement capacities concerning natural resources management outside of protected areas and because the project aims at strengthening the sustainability of conservation through indigenous participation in protected area management.

b) Establishing protected areas only under the strictest management regimes.

This alternative -which excluded the communal reserves- was rejected because, at present, communal reserves are under-represented in the system, and respond to strong social demand. Establishing only protected areas with the strictest management regimes, in most cases, would not be socially sustainable, would be more expensive to execute, may involve displacement and resettlement, and would not directly support the objectives of increasing the participation of local people as beneficiaries of biodiversity conservation.

c) A series of GEF mid-size grants to support activities within each conservation area.

This option was rejected bearing in mind the existence of economies of scale during project implementation at INRENA's level and the convenience of strengthening INRENA as a national institution in its capacity to develop a national policy on participatory management on the basis of the experiences promoted by the project.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).Includes GEF financed projects along with Bank ones.

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)
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		Implementation Progress (IP)	Development Objective (DO)
Bank-financed			
Natural Resources Management	Peruvian National Trust Fund for Protected Areas -PROFONANPE (GEF)	S	S
Natural Resources Management	Sierra-Natural Resources Management and Poverty Alleviation -PRONAMACHCS	S	S
Rural Development	National Fund for Social Compensation and Development (FONCODES)	S	S
Natural Resources Management	Pro Naturaleza (a GEF-Medium-sized Project (MSP): Collaborative Management for the Conservation and Sustainable Development of the Northwest Biosphere Reserve	S	S
Natural Resources Management	CI-Peru (GEF-MSP) Participatory Conservation and Sustainable Development Program with Indigenous Communities in Vilcabamba	S	S
Rural Development	MAG Technical Research, Extension and Assistance (Loan to be signed).		
Rural Development	Indigenous and Afro-Peruvian Peoples Development (LIL to be signed)		
Other development agencies			
Natural Resources Management	Netherlands: Forest Conservation in the Central Amazon of Peru		
Natural Resources Management	Netherlands: Support to National Strategy for Forestry Development		
Natural Resources Management	Netherlands: Reforestation and Demonstrative Management of Secondary Forests in the Peruvian Amazon		
Natural Resources Management	European Commission (EC): Use and Sustainable Management in the Manu Biosphere Reserve and National Park		

Natural Resources Management	German Cooperation Agency (GTZ): Natural Areas Protection Program		
Natural Resources Management	German Cooperation Agency (GTZ): Recurrent costs funding in nine protected areas		
Natural Resources Management	Interamerican Development Bank (IDB): Environmental Institutional Strengthening		
Natural Resources Management	United States Agency for International Development USAID: Sustainable Environment and Natural Resources Management		
Natural Resources Management	United States Agency for International Development (USAID): Biodiversity and Fragile Ecosystems Conservation and Management: A national program supporting participatory components in ongoing conservation and sustainable management programs		
Natural Resources Management	United Nations Development Program (UNDP): Conservation and Sustainable Use of the Biodiversity of the Amarakaeri Indigenous Lands		
Natural Resources Management	World Wildlife Fund (WWF): Conservation and Ecologically Sustainable Development in the Manu Biosphere Reserve Finland: Machu Picchu Project, with PROFONANPE		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

The performances of the Indigenous Peoples LIL and the Technical Research, Extension and Assistance Loan have not been rated because they are still not under implementation.

3. Lessons learned and reflected in the project design:

Experience in Peru and elsewhere shows that: (i) the sustainability of protected areas is greatly enhanced when local populations participate and benefit directly from their establishment; (ii) financial sustainability of managing the protected areas by the government has to be ensured by continual funding of recurrent costs; (iii) local organizational capacities needs to be strengthened; (iv) environmentally sustainable activities that also provide economic benefits need to be offered as an alternative to practices that encourage indiscriminate use of natural resources.

3.1 The Peruvian Amazon Region contains numerous indigenous groups who have expressed their desire to ensure the maintenance of forest integrity through conservation and the promotion of development options that maintain forest cover to the greatest possible extent. Therefore, directly incorporating indigenous groups in the management of these protected areas builds upon the synergistic potential brought about by two complementary objectives: biodiversity conservation and indigenous people's right to self-determination. Peruvian legislation recognizes this approach through several management categories of protected areas, including communal reserves, national reserves, and the clustering of various categories within a biosphere reserve model.

3.2 Progress towards achieving the sustainability of the present system has been adequate, with increased budget allocations by the central government and the growing role of PROFONANPE in transferring funds to finance recurrent costs. The system now has a total of 52 areas, most of which have permanent presence and enjoy some form of management (the Alto Purus Reserved Zone, is of very recent creation and still lacks any state presence); 39 of these areas have a Protected Area Director on the ground. It is widely recognized, however, that additional efforts are required to achieve effective management for the entire system, including further state funding and creative alternatives of resource self generation and private investment in conservation and sustainable management of protected areas and natural resources. This project's design includes INRENA's commitment to fund 50% of personnel and operational costs during the life of the project, and to assign enough budget allocations as to absorb key personnel and activities at the end of the project.

3.3 The project includes strategies and activities designed to strengthen local indigenous capacities to participate in protected area management and surveillance and to implement natural resources sustainable use initiatives.

3.4 Economic activities from sustainable natural resource use in protected areas have helped to strengthen conservation efforts by: (i) providing funds for recurrent costs; and (ii) providing economic benefits and incentives to those living within the confines of protected areas to participate in conservation. The Manu National Park has reached a level of funding of recurrent costs and substantial progress towards social sustainability through direct community involvement in management. The Machiguenga within Manu have created a lodge, where tourists can come and visit the park. This lodge is one example of how eco-tourism and other sustainable activities can benefit local populations involved in conservation. From the perspective of biodiversity conservation, however, the system is incomplete and additional protected areas need to be created in accordance with the Master Plan of the Protected Areas System.

4. Indications of borrower and recipient commitment and ownership:

During project preparation, the GoP has given clear indications of its commitment through the creation and later expansion of the Santiago-Comaina Reserved Zone, the creation of the Gueppi and Alto Purus Reserved Zones, and the drafting of the Pacaya-Samiria National Reserve Master Plan. Similarly, the GoP and INRENA have stated their will to commit the resources necessary for this project to be properly implemented. Also, INRENA, the executing agency, has been leading the process of protected area expansion and consolidation and has also promoted a participatory process to draft the regulations of the Protected Areas Law. In this process, INRENA has benefited from the technical and financial assistance of donor agencies.

5. Value added of Bank and Global support in this project:

World Bank support is warranted for several reasons: (i) The Bank has a good understanding of the sector in Peru, through the execution of successful conservation and natural resources management projects including the initial PROFONANPE GEF Grant; the Natural Resources Management and Poverty Alleviation in the Peruvian Sierra Project, executed through PRONAMACHCS; and NGO projects supported by GEF mid-size grants; (ii) The Bank has conducted sector work related to indigenous peoples needs and rights, that resulted in the recently approved LIL; (iii) The Bank has conducted extensive participatory exercises with indigenous peoples as part of its sector work; (iv) The Bank has technical capacity for project preparation and supervision and has also developed linkages with SETAI, INRENA, PROFONANPE, and the Consejo Nacional del Ambiente (CONAM) as well as with national and international NGOs such as the World Wildlife Fund (WWF) and indigenous organizations and communities.

GEF support is warranted because of the global significance of the Peruvian Amazon Region as a site of high biodiversity.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):

☐ Cost benefit NPV=US\$ million; ERR = % (see Annex 4)

☐ Cost effectiveness

☒ Incremental Cost

☐ Other (specify)

The project's activities are expected to generate the following benefits: (a) biodiversity conservation and its sustainable use; (b) stronger governmental and community institutional capacity to formulate and implement indigenous managed biodiversity conservation; (c) income for indigenous communities from intellectual property remittances related to genetic resources and indigenous knowledge; (d) increased income from sustainable harvesting of non-timber products, eco-tourism, and other sustainable activities related to biodiversity. The incremental costs of generating the global benefits from conservation of globally significant biodiversity is estimated at US\$ 10 million. Details of the incremental cost analysis are provided in Annex 4.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

N/A

Fiscal Impact:

The net fiscal impact over the project period is estimated at US\$1'400,000. The net incremental costs of INRENA over the project period will be about US\$3.13 million, of which a large part will have to be financed in the last two years. This amount is compensated by the estimated US\$1.7 million of value added and income taxes the grant expenditures should generate. In the years after the project, recurrent management costs of the five areas are estimated at about US\$850,000 per year. This assumes that the communities will have become aware of the need for better conservation and carry out most of the protection in the conservation areas. This assumption is based on existing cultural traditions through which community members volunteer work on a regular basis towards achieving community goals. The conservation areas may also generate some tourism revenue for INRENA. Another possible source of financing of recurrent conservation expenditures is PROFONANPE, which has several trust funds to finance conservation management costs.

3. Technical:

The project design is technically sound and has taken into consideration experiences from other countries along with lessons learned from Bank and other internationally funded projects. The design is built on: (i) collaborative mechanisms; and (ii) beneficiary participation co-financing and ownership. There will be collaboration with the Indigenous and Afro-Peruvian People Development project, which will operate training programs addressed to public officials at the national level, will promote an overall review of Peruvian legislation to ensure that indigenous rights are properly addressed, and will implement field activities in Alto Purus and Santiago-Comaina protected areas. Experience gained in Peru and elsewhere corroborates that sub-projects identified and managed by indigenous communities themselves have a greater chance to succeed than those imposed from outside. The design of the Sustainable Use of Biodiversity component has taken into account lessons learned in similar projects by incorporating participatory mechanisms in sub-project identification, management and administration. A number of feasible investments were identified during project preparation and small-scale indigenous projects assessed. The design of the Monitoring and Evaluation component -which was drafted by WWF during project preparation- reflects the considerable experience gained by WWF in designing and implementing similar systems in other locations.

4. Institutional:

4.1 Executing agencies:

Project implementation arrangements will require the establishment within INRENA of a Special Implementation Unit (SIU) in order to provide the project with legal, administrative and technical autonomy in accordance with Peruvian legislation, and to ensure project management effectiveness. INRENA is a normative institution of the Ministry of Agriculture. Its management procedures are in many instances cumbersome, legalistic and non-operational especially at the field level, but in recent years, with international donor support and contributions made by PROFONANPE, implementation capacity has improved and a drive towards internal decentralization has been launched. The establishment of the SIU is part of such process and greatly reduces the risk of management inefficiencies as the Central and Field project teams will have sufficient authority to operate in an autonomous manner. The establishment of the SIU and the selection of the project coordinator is a condition of project effectiveness.

The indigenous communities have actively participated in the consultation process during project preparation. Some indigenous organizations are institutionally weak and lack experience in participatory management of protected area and in implementing biodiversity use related economic activities. Organizations will require strengthening and technical assistance from the project. The project will provide training in participatory management and the provision of technical assistance has been included under the Sustainable Use of Biodiversity component. Indigenous umbrella organizations and NGOs will provide additional support. Given the innovative nature of these activities and the challenges implied in fostering a new relation between conservationism and indigenous participation, some substantial impact might be appreciated only after project implementation is over.

4.2 Project management:

The SC and ZCCs will have major responsibilities for project management. At the SC level, national indigenous leaders and representatives of public and private environmental organizations who will be part of these policy coordination bodies do guarantee stakeholder involvement. At the local level, grassroots indigenous representatives will form the ZCC. During appraisal INRENA suggested that the role of Local Project Coordinator be assumed by the INRENA appointed Protected Area Chief in each of the areas of project intervention. This proposal ensures that there will be no conflicting views between two authorities operating under the same institution and in similar geographic areas. INRENA will partially and increasingly assume the cost of the project's staff.

4.3 Procurement issues:

Procurement issues relate to: (i) the absence of past experience of the SIU as an implementing agency for Bank supported projects; and (ii) the difficulties to be faced at the zonal level to implement competitive procedures for the procurement of goods and services.

The establishment of the SIU is a condition for effectiveness. Most goods and services will be procured at the central level; locally, prudent shopping procurement will be followed, under close supervision of the CPT.

4.4 Financial management issues:

INRENA's financial management systems have been successfully assessed by a Bank financial management specialist. Disbursement procedures to sub grant beneficiaries, to take place only in the second year of project implementation, will be spelled out in the OM, which is a condition for disbursement of this category.

5. Environmental:

Environmental Category: C (Not Required)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The project has been designed to have a positive impact on the environment. Activities, which are not explicitly allowed in area Management Plans and in the specific zoning regulations established for each protected area, will not be funded. Activities under the Sustainable Use of Biodiversity component will have to meet specific

environmental criteria to filter out any potential damaging activities. Sub-grant proposals will be appraised based on the selection criteria to be determined in the Sub-grant Operations Manual.

5.2 What are the main features of the EMP and are they adequate?

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft:

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

6.1 Key social issues and social development objectives

a) Three relevant social issues were addressed during project preparation: (i) participation; (ii) ownership and (iii) gender.

(i) *Participation.* Experience in Peru and elsewhere has demonstrated that rural and natural resource development projects have a greater potential for success when they are participatory in nature from the identification and design stage through to execution and ex-post evaluation. This project has benefited from the extensive social assessment and legal analysis sector work done during preparation of the Indigenous and Afro-Peruvian Peoples Development project (LIL). During Block B preparation a highly decentralized and participatory consultation process was undertaken. Indigenous communities were consulted in regards to their present needs and their vision of the future. Concrete suggestions were made which have been taken into account in the final design of the project.

(ii) *Ownership.* As with participation, ownership of project initiatives is essential for achieving success in the implementation of project activities. The mechanisms envisaged for implementing biodiversity use investments ensures that beneficiary groups will have ownership of their initiatives as they will identify, with project support, feasible economic activities and carry them out with technical assistance to be provided by the project. The project will assist beneficiary organizations in identifying technical assistance sources and guide them contracting the services they require and supervising the provision of assistance services.

(iii) *Gender.* Distinguishing the different roles and responsibilities of men and women in natural resource management especially among indigenous groups is also essential. Indigenous women were included during the consultative process for this project and during preparation of the Indigenous and Afro-Peruvian Peoples Development Project. A targeted consultation was undertaken during which gender-specific issues were raised and distinct recommendations made. Main recommendations relate to (i) guaranteeing the presence of indigenous women representatives in project management bodies (ii) inclusion of indigenous women in training programs; (iii) provision of sub-grants to indigenous women groups for them to carry out natural resource use activities in which women have a predominant role such as cultivating and marketing medicinal plants and handicrafts.

b) Collaboration with NGOs and other civil society organizations

During Block B preparation local and international NGOs were fully involved and will continue to actively participate in project implementation. Representatives of indigenous umbrella organizations and environmental organizations such as National Environmental Society (SNA) and the local chapter of the International Union for the Conservation of Nature (IUCN) will be represented in the Project's Steering Committee.

c) Institutional arrangements to ensure social development objectives

Institutional arrangements ensure that the social development objectives of the project will be achieved. The essential participatory mechanisms envisaged guarantees that indigenous representatives are involved in project planning, implementation and monitoring. Sub-grants to beneficiary organizations to undertake biodiversity use initiatives including pre-investment and provision of technical assistance will have an impact on living conditions and income-generation leading to better living conditions for beneficiary groups.

d) Performance monitoring of social development outcomes

The proposed M&E system for this project includes establishing socio-economic indicators, creating a baseline database and a socio-economic monitoring plan which will measure impact on the social and economic conditions of the indigenous beneficiary communities in the project areas. Income and nutritional values will be ascertained.

6.2 Participatory Approach: How are key stakeholders participating in the project?

a) Primary beneficiaries:

During project preparation, indigenous communities were consulted through participatory workshops, and community assemblies. A total of 29 participatory workshops were convened involving nearly 500 indigenous community leaders. Community assemblies were held in 40 communities during which participants responded to survey questionnaires and prepared situational maps using Participatory Rapid Appraisal techniques. Additionally, 10 indigenous leaders and technicians joined the project preparation teams in their respective areas. Consultations were carried out using indigenous languages. The consultative process confirmed the general approach of the project specifically in terms of the need to advance in the categorization of protected areas, establishment of communal reserves and natural resource use contracts and concessions. Possible investments were identified and monitoring issues discussed. The indigenous federations AIDESEP and CONAP were part of the Block B Board.

During project implementation indigenous people representatives will be included in the SC and ZCCs. Beneficiaries will identify investment opportunities, manage investment sub-grants and participate in project monitoring and evaluation.

b) Other key stakeholders:

Municipal governments, local NGOs, universities and other representatives of civil society as well as private sector enterprises were also consulted. These stakeholders are important, as they are members by law of the PAMCs that will be established with project support. Environmental public sector institutions and NGOs were part of a Block B specially established Board and will continue to be represented in the SC.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

During Block B preparation local and international NGOs were fully involved and will continue to actively participate in project implementation. Representatives of indigenous umbrella organizations and environmental organizations such as National Environmental Society (SNA) and the local chapter of the International Union for the Conservation of Nature (IUCN) will be represented in the Project's Steering Committee.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

Institutional arrangements ensure that the social development objectives of the project will be achieved. The essential participatory mechanisms envisaged guarantees that indigenous representatives are involved in project planning, implementation and monitoring. Sub-grants to beneficiary organizations to undertake biodiversity use

initiatives including pre-investment and provision of technical assistance will have an impact on living conditions and income-generation leading to better living conditions of beneficiary groups.

6.5 How will the project monitor performance in terms of social development outcomes?

The proposed M&E system for this project includes establishing socio-economic indicators, creating a baseline database and a socio-economic monitoring plan which will measure impact on the social and economic conditions of the indigenous beneficiary communities in the project areas. Income values will be ascertained.

7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural habitats (OP 4.04, BP 4.04, GP 4.04)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Indigenous Peoples (OD 4.20)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OD 4.30)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

The project is consistent with national land use and environmental planning initiatives, conservation strategies and legislation. It will assist in preserving and managing intact forest areas by providing effective management and enforcement in new and existing protected areas.

The project faces no resettlement issues either from a physical nor income displacement point of view. No population will be displaced in the process of establishing a new protected area and the populations' incomes will not be affected by conservation activities.

In El Sira, 93 out of the existing 100 native communities are properly titled. The 7 that remain to be titled do not have standing nor potential conflicts with the proposed communal reserve in terms of land rights; and the proposed categorization of the area as a communal reserve assures them exclusive access and the continuity of their traditional sustainable extractive practices, avoiding the emergence of resettlement issues. In Gueppi, the 6 native communities are properly titled. There are 3 other settlements (a mixture of colonists and voluntarily reallocated indigenous families) which do not have traditional lands nor have initiated legal procedures to denounce and title new ones. The categorization of the current Reserved Zone will respect the titled lands along the river basin, create a communal reserve west of the tiled lands (where traditional sustainable indigenous practices will be allowed and protected from other users) and create a national reserve further inland. Again, no resettlement issue will arise because the communal reserve (where indigenous communities will maintain traditional uses of natural resources) will behave as a buffer between the titled lands and the stricter conservation area. In Santiago-Comaina all native communities are titled and have agreed with INRENA not to establish protected areas of any nature which may include such titled lands, avoiding the risk of an overlap of property rights. In Purus, all 25 native communities are titled. The creation of a communal reserve is considered, where these communities will have exclusive access. Regarding the Mascho Piro populations, in the southern area of the Purus Reserved Zone, the project will respect their choice to establish no contacts with non indigenous peoples, and will not contact them for education, health, titling or any other matter. In Pacaya-Samiria, there are around 300 communities, with lands inside and outside of the national reserve boundaries (defined by the Pacaya and Samiria rivers), all lacking titles. The agreement here is to provide these communities with natural resources concession contracts (to assure and formalize their access to resources inside the reserve) and to title their lands north of the Samiria and south of the Pacaya, that is north and south of the Reserve.

F. Sustainability and Risks

1. Sustainability:

The long term sustainability of project outcomes is highly probable due to an enabling policy environment which encourages the use of participatory planning in project implementation. Important responsibilities for protected area management and co-management will rest with indigenous communities, who will use traditional community structures of participation by members of the community for surveillance, enforcement and management. This assumption is sustainable as long as: (i) the project responds to the desires of indigenous peoples in the Peruvian Amazon Region; (ii) the legal framework for protected areas restricts non-sustainable use, and; (iii) recurrent costs are manageable within Government's fiscal capabilities. Also, the GoP has expressed strong commitment to provision the basic resources needed to cover the recurrent costs of protected areas as well as to channel to these same areas additional foreign aid resources.

The recurrent management costs of the five protected areas is estimated at US\$850,000 per year. Pacaya-Samiria's recurrent costs are already covered with fiscal resources and donor's support, and INRENA has also allocated resources to meet basic requirements of control and supervision in Gueppi (where a Reserved Zone administration is already in place) and Santiago-Comaina. Similarly, INRENA has expressed it's commitment to allocate resources to initiate activities in the recently established Alto Purus Reserved Zone. There is strong confidence that funds to cover these costs will be maintained, and that additional funds for the protected areas to be created will be forthcoming. There is commitment on the part of the Government to support the recurrent project costs, expressed in its agreement to assume 50% of personnel and operating costs in the life of the project, and 100% of it after project implementation. The promotion of partnerships between local government agencies and indigenous organizations within the framework of common zonal operation plans will free up some funds for management of the conservation areas.

Also, income will be generated from the successful development and implementation of sub-projects. And the cumulative effect of local participatory processes and dialog with government will increase the likelihood of continued support for community based natural resources management and biodiversity conservation. Finally, sustainability is also assured by the increasing amount of funds that PROFONANPE is channeling to SINANPE through a variety of projects and financial mechanisms.

The project contributes to both long term socio-cultural and socio-economic development of indigenous communities by strengthening local capacity to manage natural resources which are abundant but still threatened. The project attempts to encourage stakeholder involvement and ownership through the use of existing local institutional structures and new consultative/decision making bodies (Steering Committee and the Zonal Coordinating Committees) created during project implementation.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
From Outputs to Objective Continued political will to create, categorize and manage protected areas in targeted zones. Biodiversity projects implemented by indigenous people are feasible on technical, economic and social grounds. Availability of counterpart funds.	N M M	During project preparation, GoP has demonstrated willingness to expand the system by establishing three new Reserved Zones. Beneficiary and sub grant eligibility criteria. INRENA commitment to gradually and incrementally assume recurrent costs
From Components to Outputs Government remains committed to biodiversity conservation and protected area management Indigenous people's organizations are interested and able to implement biodiversity investment projects Availability of counterpart funds	N M M	Project provides legal support and fund administrative costs and technical assistance. Training and technical assistance will be provided and indigenous leaders will participate in ZCCs. INRENA has committed funds timely to assume recurrent costs.
Overall Risk Rating	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:

Controversy may result from disagreements among indigenous peoples regarding the appropriate balance between conservation and sustainable biodiversity use. The project will work closely with indigenous groups and their representatives to ensure a high level of participation and consensus as management plans are developed and approved.

A second possible controversial issue arises from the different interpretations and long term views that State officials and indigenous leaders may derive from the notions of land and territory. Some public officials may maintain a traditional view of land as basically and only an economic asset in the market, with no social or cultural implications for the long term sustainability of indigenous communities. On the other hand, some indigenous sectors may understand communal reserves as the basis of indigenous territories, despite them being public properties. The project will promote in depth discussion on these issues in order to reach long term consensus that can incorporate the issues of indigenous lands and identities into the country's multicultural nature.

G. Main Grant Conditions

1. Effectiveness Conditions

1. Project Operations Manual acceptable to the Bank has been adopted by INRENA.

2. Special Implementation Unit in INRENA has been established.
3. A Project Coordinator and core staff acceptable to the Bank, have been selected.
4. Regulations to the Law of Protected Areas have been issued and are conducive to the participation of local communities in protected areas and natural resources management, in line with the project's participatory approach.

2. Other [classify according to covenant types used in the Legal Agreements.]

1. The approval by the Bank of a Biodiversity Sub Grant Operations Manual, acceptable to the Bank, is a condition for disbursement of funds under Category 4. Sub grants.
2. The preparation of a draft operations manual by INRENA is a condition for negotiations between the bank and the GoP, including basic social, environmental, economic and financial criteria for sub-grant selection.

H. Readiness for Implementation

- ☐ 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- ☒ 1. b) Not applicable.
- ☒ 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- ☒ 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- ☒ 4. The following items are lacking and are discussed under loan conditions (Section G):

Operations Manual

Sub projects Operations Manual

I. Compliance with Bank Policies

- ☒ 1. This project complies with all applicable Bank policies.
- ☐ 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

Carlos Monge
Team Leader

John Redwood
Sector Manager/Director

Isabel M. Guerrero
Country Manager/Director

Annex 1: Project Design Summary

PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
Sector-related CAS Goal: Sustained continuous reduction of poverty by maintaining economic stability and improving access to basic services	Sector Indicators: Improvement in indicators of poverty and extreme poverty.	Sector/ country reports: 1. Poverty Assessment 2. Encuesta Nacional de Niveles Vida (ENNIV) Statistics	(from Goal to Bank Mission) Macro-economic stability
GEF Operational Program: Operational Program 2 Freshwater Ecosystems Operation Program 3 Forest Ecosystems	Population of native species loss is stopped. Deforestation is stopped.	Annual Biological and Socio-economic Monitoring Reports Annual Biological and Socio-economic Monitoring Reports	Resources and activities correspond to stated goals Absorptive capacity of NGOs and indigenous communities Resources and activities correspond to stated goals Absorptive capacity of NGOs and indigenous communities
Global Objective: <u>DEVELOPMENT OBJECTIVE</u> To improve the conservation and sustainable utilization of forest ecosystems in the Peruvian Amazon through the involvement of indigenous communities in the management of Project Protected Areas.	Outcome / Impact Indicators: 1. Indigenous people co-manage protected areas in the five target zones through their participation in the corresponding Protected Areas Management Committees. 2. Biodiversity loss is stopped in five target areas.	Project reports: Annual scorecards measuring management effectiveness of protected areas Annual Biological Monitoring and Evaluation Reports	(from Objective to Goal) Competent protected area management staff, availability of funds to cover recurrent costs Conservation and participatory mechanisms adopted by local inhabitants and beneficiary communities

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
Output from each Component:	Output Indicators:	Project reports:	(from Outputs to Objective)

<p>Component 1 Participatory Biodiversity Conservation Expansion, legal categorization and participatory management of SINANPE areas; area facilities built and upgraded and area stakeholders participatory capacities strengthened.</p> <p><i>1.1 Creation and Permanent Categorization of Protected Areas</i></p> <p>a) Preparation of planning documents.</p> <p>b) Legal establishment of protected areas.</p> <p><i>1.2. Strengthening Participatory Mechanisms</i></p> <p>a) Establishment of PAMCs.</p> <p>b) Establishment of Community Based PASS.</p> <p>c) Public Awareness and Environmental Education</p> <p>d) Analysis of Best Practices and Lessons Learned</p> <p><i>1.3 Indigenous People Training in Participatory Mechanisms</i></p>	<p>15 planning documents (Master Plans, Public Use Plans and Management Plans) for one new protected area (El Sira); three Reserved Zones Santiago -Comaina Gueppi and Purus) and one National Reserve (Pacaya- Samiria)</p> <p>One new protected area established (El Sira) in PY1; Three Reserved Zones categorized in PY2 (Santiago -Comaina Gueppi and Purus)</p> <p>Three PAMCs established by PY2, Five PAMCs by PY4; representatives of 200 indigenous communities trained for participation in PAMCs.</p> <p>Two PASS contracts signed and system operating by PY3. Five Indigenous Community Centers built and equipped.</p> <p>Five public awareness campaigns implemented by PY5</p> <p>Four regional workshops held by PY5</p> <p>126 scholarships for indigenous leaders implemented by PY5.</p> <p>126 internships implemented by PY5</p> <p>5 Park Management Facilities;</p>	<p>Project Implementation Reports Project Monitoring and Evaluation reports and Bank Supervision reports Mid-term Evaluation</p>	<p>Continued political will and indigenous populations to create, categorize and manage protected areas in targeted zones.</p>
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Component 2 Sustainable Uses of Biodiversity Economically, socially and environmentally sound use of natural resources in and around protected areas.		Implementation Progress Reports Bank Supervision Reports Mid- term Evaluation Report	Indigenous people have the capacity to implement biodiversity sub-projects.
2.1 <i>Management Plans for Titled Indigenous Land</i>	15 plans prepared; 10 implemented by PY4.		
2.2 <i>Community Natural Resource Use Contracts</i>	60 contracts awarded by PY5.		
2.3 <i>Demand and Market Studies</i>	50 market and demand studies implemented by PY5.		
2.4 <i>Biodiversity Investment Sub-grants</i>			
a) Pre-investment studies	220 pre-investment studies implemented between PY2 and PY4.		
b) Investment Sub-grants	123 sub-grants awarded by PY4; 50% successfully implemented by PY5.		
c) Technical Assistance	100 technical assistance contracts implemented by PY5.		
d) Analysis of Best Practices and Lessons Learned	Four regional workshops implemented by PY5		

Component 3 Monitoring and Evaluation System Participatory monitoring and evaluation system based on quantitative and qualitative indicators.		Project Implementation Reports Bank Supervision Reports Contract documents between communities and the Project Mid- term Review Report	Biological and socio-economic indicators suitable for monitoring purposes.
<i>3.1 Analysis of Biodiversity Conservation and Socio-economic Conditions</i>	Compendium of secondary information for five areas in PY1 and biological and socio-economic indicators.		
<i>3.2 Biological and Socio-economic Databases</i>	Evaluation protocols and standards and analytical tools in PY1. GIS data layer formats and fauna and flora maps in PY1. Baseline studies prepared in PY1. 1 web site developed and maintained in PY1.		
<i>3.3 Monitoring of Biological and Socio-economic Indicators</i>	Five Annual Status Reports		
<i>3.4 Monitoring of Area Management Effectiveness</i>	Five Annual Status Reports		
<i>3.5 Training and Technical Assistance</i>	Workshops and person months of technical assistance		

<p>Component 4 Project Implementation INRENA management capacity increased.</p> <p><i>4.1 Project national coordination mechanisms.</i></p> <p><i>4.2 Project Special Implementation Unit</i></p> <p><i>4.3 Technical Assistance</i></p>	<p>Steering Committee has provided leadership to project implementation.</p> <p>SIU established at the DGANPFS level.</p> <p>DGANPFS has enhanced capacities to address legal, social/indigenous and gender issues related to protected area management and enhanced M&E capacities.</p>	<p>Bank Supervision Reports Mid- term Evaluation Report</p>	<p>Availability of counterpart funds</p>
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Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
Project Components / Sub-components:	Inputs: (budget for each component)	Project reports:	(from Components to Outputs)

ProjectComponents/ Sub-components			
1. Participatory Biodiversity Conservation Creation and Permanent Categorization of Protected Areas Strengthening Participatory Mechanism Indigenous People Training in Participatory Mechanisms Provision of Local Infraestructure Strengthening of Field Project Teams and Zonal Coordinating Committees	1. Participatory Biodiversity Conservation (US\$9.24 M) 1. Works 2. Goods 3. Consultant services 4. Training 5. Operating costs	Project implementation reports Supervision Mission Reports Disbursement Reports Mid Term Evaluation	Government remains committed to biodiversity conservation and protected area management
2. Sustainable Uses of Biodiversity Management Plans for Titled Indigenous Land Community Natural Resource Use Contracts Demand and Market Studies Biodiversity Investment Sub-grants	II Sustainable Uses of Biodiversity (US\$7.75 M) 1 Sub grants 2. Consultant Services	Project implementation reports Supervision Mission Reports Disbursement Reports Mid Term Evaluation	Indigenous people's organizations are interested and able to implement biodiversity investment projects
3. Monitoring and Evaluation System Biological and Socio-economic databases Analysis of Biodiversity Conservation Status Monitoring of Biological and Socio-economic indicators Monitoring of Protected Area Management Effectiveness	III Monitoring and Evaluation System (US\$ 2.0 M) 1. Goods 2. Consultant services	Annual biological and socio-economic monitoring reports	Biding process conveys capable consulting firms able to design and implement participatory M&E system.
4. Project Implementation Project coordination Project implementation	IV Project Implementation30 - (US\$3.76 M) 1. Works		

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Annex 2: Detailed Project Description

PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

By Component:

Project Component 1 - US\$9.42 million

1. Participatory Biodiversity Conservation

The project will finance: (i) preparation of planning documents and the consultative process for creation of a new protected area and the permanent categorization of three existing Reserved Zones as part of the National System of Protected Areas (SINANPE); (ii) establishment of Protected Area Management Committees (PAMC) in the five target areas; (iii) creation of a community based and managed Protected Area Surveillance System (PASS); (v) training in participatory methods for indigenous community leaders; (vi) implementation of a public awareness program; (vii) the construction and refurbishment of facilities (Park Management Facilities, Interpretation Centers, and other minor infrastructure) in the project areas; (viii) specialists on indigenous affairs and monitoring evaluation to be part of the protected areas administration and the provision to staff to be deployed to those areas of the necessary office, transportation and communications equipment.

1.1 Creation and Categorization of Protected Areas

During project preparation the social consultation process and technical analyses underlined the merits of incorporating a new Reserved Zone to SINANPE and assigning a definite category to three already established Reserved Zones, bearing in mind that Reserved Zones are a transitional category within SINANPE.

The protected area to be created is that of El Sira, which includes areas of three departments of the Peruvian Amazon region (Pasco, Huanuco and Ucayali) and covers an area of 613,813 has. It is representative of primary forests in pristine conditions. The future Reserved Zone is threatened by gold exploration, overfishing and road construction. Shipibo Conbibo, Ashanika and Yanesha indigenous people inhabit the area.

A permanent category will be assigned to: (i) the Alto Purus Reserved Zone, (ii) Santiago-Comaina Reserved Zone and Gueppi Reserved Zone, all established in the process of project preparation. A description of these areas is provided in Annex 12. As a result of technical analysis and the consultation processes it has been initially estimated that on the basis of the currently existing reserved status, different categories of protected areas would be established. Within the Alto Purus Reserved Zone, options are to create a National Reserve and a Communal Reserve. The Santiago-Comaina Reserved Zone would become a National Park, a Protected Forest and a Communal Reserve. In the Gueppi Reserved Zone a National Reserve and a Communal Reserve would be established. In all cases, these initial technical recommendations and social agreements need to be further developed during project implementation.

In order to complete this process, the project will finance: (i) preparing planning documents as required by Peruvian legislation, (ii) implementing participatory consultative processes, and (ii) drafting administrative resolutions and legislative decrees.

a) Preparation of planning documents. Four types of planning documents are required: (i) Master Plans, (ii) Public Use Plans, (iii) Management Plans and, (iv) *Resources Use Zoning Plans*. All plans require approval by INRENA after being drafted in consultation with local stakeholders. *Master Plans* include zoning arrangements and information on coordination and participation mechanisms for the area. They provide information on area potential for use of existing resources and possible economic activities, with details on the manner in which the area will be organized and managed. Master Plans must be updated every five years. *Public Use Plans*. These plans are an integral part of the area Master Plan. They provide information on possible public use for recreational, scientific, educational and or tourism development of the area. Site specific information, especially referred to construction of infrastructure, such as interpretation and visitor facilities should be included. *Management Plans* These plans address protection

measures based on baseline information for monitoring and continuous recording of plant and animal populations. Management Plans contain information on issues such as culling of native species, eradicating exotic species, and restocking and or reintroduction of species as well as habitat restoration measures. Preparation of these plans entails identifying the most significant biological resources in the area, determining objectives and management strategies and outlining a biodiversity conservation plan as well as the community consultative process for adoption of the plan. These plans detail information on: (i) zoning proposals, (ii) existing natural resources in the area, (iii) potential risks to ecosystems, (iv) cultural and economic impacts, and options for use of renewable natural resources by local inhabitants, (v) potential benefits, including potential markets for existing renewable natural resources and, (vi) natural resource management issues for the areas. *Resources Use Zoning Plans* These plans provide the technical support for use authorizations to be given to indigenous peoples to pursue sustainable practices currently under implementation.

b) Implementation of the consultative process. The preparation of plans will be participatory in nature. Stakeholders will be consulted during the initial stages of the process. Their opinions and suggestions recorded and taken into account in the drafting of final documents. Plans' drafts will be distributed to all participants in a series of workshops to be organized to present findings and conclusions. The proposals for the establishment of Communal Reserves will be discussed with the participation of representatives of already established communal reserves in Yaneshá and Tamshiyacu-Tahuayo. Experience gained by indigenous communities in these areas will be useful in advancing on the definition of the new Communal Reserves to be created within the project area.

c) Drafting administrative resolutions and legislative decrees. Creation of new areas and their categorization implies drafting numerous administrative resolutions and resolving legal questions. Furthermore, Peruvian legislation also requires that proposals for new areas and categorization must be consulted with sectoral ministries such as agriculture, energy, tourism among others. The project will finance the services of a legal counsel at INRENA to support this process.

1.2 Strengthening Participatory Mechanisms

Indigenous participation in management of selected protected areas will be ensured by: (i) establishing PAMCs; and (ii) instituting community based and managed Protected Areas Surveillance Systems (PASS).

(a) Establishment of Protected Areas Management Committees (PAMC). The project will assist INRENA in establishing these committees which are required by the National Biodiversity Conservation Law and the SINANPE Plan Director, and to ensure indigenous participation such committees. PAMCs include representatives of all stakeholders present in the area including private and public institutions and grass root organizations. Committees provide guidance in the management of the area proposing measures that harmonize the use of natural resources with conservation objectives. Bylaws outlining PAMC mandates, responsibilities and operational parameters are presently being discussed. The project will provide assistance to indigenous community organizations to ensure their involvement. Subsistence allowance and travel costs will be covered. Training in management aspects will be provided.

(b) Creation of Community Based and Management Protected Areas Surveillance System (PASS). In order to insure basic protection against illegal use of natural resources within the protected areas, the project will provide funding to the area administrations for them to contract with local indigenous communities the implementation of a surveillance system. Contracts will cover provision of equipment and subsistence costs.

(c) Implementation of a Public Awareness and Environmental Education Program. In order to further understanding of the importance of biodiversity conservation in the target areas, the project will finance implementation of a public awareness program aimed at local authorities and the population at large. The program will use mass media outlets in the project area and face to face communication methods. The production of audiovisual and printed matter will be undertaken.

(d) Analysis of Best Practices and Lessons Learned. In order to benefit from the experience of project implementation, the project will finance four regional workshops (Santiago-Comaina, Gueppi and Pacaya-Samiria, Alto Purus, and Sira) where the experience of project implementation at the target area level, and recommendations for future action, will be presented and debated.

1.3 Indigenous People Training in Participatory Mechanisms

The project will finance training of indigenous leaders in participatory approaches for area management. In order to raise the level of awareness among indigenous leaders of project area communities', field visits to other Amazon region communities where participatory approaches are being implemented will be organized. Young indigenous leaders will be trained during the life of the project in short technical careers in fields related to biodiversity conservation and sustainable use of natural resources. . It is estimated that 5 study tours will be organized and 125 scholarships awarded.

1.4 Provision of Infrastructure and Equipment to Protected Areas

The establishment, categorization and management of areas will require the construction of new facilities and or improvement of already existing structures as well as the provision of the required equipment for area management and communications. New operation centers will be built in Santa Maria de Nieva (Santiago-Comaina), Puerto Bermudez (El Sira) and Esperanza (Alto Purus); improvements will be made to existing INRENA facilities in Nauta (Pacaya-Samiria) and Santa Teresa (Gueppi). Five indigenous community centers will be built in the project area. Funding will also be provided for the maintenance of existing trails in the selected areas. Boats, vehicles, office furniture and equipment will be purchased. Minor field infrastructure will also be implemented in the five target areas, exact locations will be determined by FPTs.

1.5 Strengthening of Field Project Teams and Zonal Coordinating Committees

The project will finance five Field Project Teams (FPT) to be established in the cities of Esperanza, Gueppi, Santa Maria de Nieva, Puerto Bermudez and Santa Teresa. Each FPT will be staffed by: (i) a Field Coordinator (the Park Chief); (ii) an administrator; and (iii) support staff. The PFTs will be responsible for field implementation and coordination of project activities with public and private institutions operating in the project area. They will be responsible for: (i) supervising the work of outside contractors responsible for the preparation of master, public use and management plans; (ii) assisting local communities in the preparation of funding proposals; (iii) supervising the execution of sub projects by beneficiary communities; (iv) preparing annual operating plans; (v) supporting the work of each area's Zonal Coordinating Committees ZCC Core staff will be appointed to the satisfaction of the Bank. The project will also fund the services of an indigenous specialist for each Field Project Team.

The project will also fund the activities of Zonal Coordinating Committees (ZCCs), which will be established in the five project implementation areas. These committees will be composed of: (i) the Field Coordinator; and ii) representatives of the indigenous communities in the area. One of the representatives of the local indigenous communities will act as Indigenous People Coordinator (IPC) being responsible for permanent liaison with local groups. These committees will: (i) review annual operating plans; (ii) evaluate sub grant proposals for sustainable productive investments submitted by local organizations; (iii) assess implementation of contracts awarded for implementation of project activities; and (iv) ensure coordination of project activities with overall participatory mechanisms within the area PAMCs.

Project Component 2 - US\$7.75 million

2. Sustainable Uses of Biodiversity

The project will finance: (i) the preparation of management plans for titled indigenous land (ii) communal natural

resource use contracts, (ii) demand and market studies and (iii) biodiversity investment sub-grants including pre investment in natural resource use projects and technical assistance.

2.1 Management Plans for Titled Indigenous Lands

Peruvian legislation recognizes "native communities" as a form of organization of indigenous communities. These communities have in most cases registered land titles. It is estimated that in the project area there are around 300 indigenous communities governed by legally recognized and traditional authorities. Currently, community structures are weak and have limited capacities to exercise adequate control and assure sustainable management of the natural resources in areas under their jurisdiction. The project will assist three organizations in each of the five selected project areas by providing technical assistance and training in land use planning and zoning procedures, design of community management plans for specific natural resources, and use of traditional knowledge for biodiversity conservation.

2.2 Communal Natural Resource Concession Contracts

The project will fund the technical analysis needed to grant use concession contracts to indigenous groups within National Reserves. Peruvian legislation allows for use of natural resources within this protected area category. The use of these resources needs to be established in the areas' Master Plans, approved by INRENA. Resource use contracts will be considered by the Zonal Coordinating Committee (ZCC) in each area, based on a submission made by local organizations. These requests will need prior approval of the area head and consideration of the area PAMC based on the area Master Plan. Proposals will be identified by local communities who will submit a written proposal including: (i) a detailed description of the economic activities to be pursued; (ii) an assessment of the present situation of the resource to be put to economic use, (iii) a detailed budget calculation and economic impact based on a cost benefit analysis (iv) the names of those responsible for implementation of the contract and the legal status of the organization. Once the proposal has been considered by the ZCC, organizations will sign a contract with the head of the protected area. The project will assist organizations in the preparation of proposals and provide supervision during contract execution. During the preparatory process for this project local communities identified economic activities related to the production of medicinal plants, breeding and marketing of a number of fish and animal species and eco- tourism development. It is estimated that 30 contracts will be awarded during the life of the project. An average of US\$20,000 for each project has been established.

2.3 Demand and Market Studies

During Block B preparation a number of economic activities were identified and discussed with local inhabitants. Notwithstanding, it is necessary to carry out further research on the economic potential of initiatives such as captive breeding of wild fauna, forestry products, eco tourism, among others. The project will finance these market and demand studies during its first year of implementation.

2.4 Biodiversity Sub grant Investments.

The project will finance local investments which adhere to the Master Plan of the specific area and are socially, environmentally and financially sustainable. The types of projects to be financed have been identified during project preparation, and include *interalia*: (i) captive breeding of wild fauna; (ii) non timber forest products; (iii) traditional indigenous handcrafts using native materials; (iv) processing of native medicinal plants using traditional knowledge; (v) processing of food products; (vi) eco-tourism; and (vii) sustainable farming of native fish species. The sub-project cycle -to be further detailed in an specific Operations Manual which is a condition for disbursement- consists basically of:

(a) Pre-investment This activity entails the provision of financial resources to local groups for the identification and preparation of project proposals for funding by the project. Interested organizations will submit a request for assistance to be appraised by the PFT and forwarded to the area ZCC for approval. An average of US\$5,000 has been determined for each pre investment study. Project proponents should contribute 10% of total costs. It is estimated that 220 pre-investment projects will be financed during the

life of the project.

(b) Investment The project will provide the requesting organization the investment resources for those sub projects that have been technically identified as environmentally, socially and economically sustainable as a result of pre-investment activities. The project will fund 123 sub grant investments, at the estimated average cost of US\$20,000 each. Beneficiaries will be requested to commit 50% of the total investment cost, for which they may seek co-financing from government and or private development agencies. This co financing mechanism is a prerequisite for project funding.

(c) Technical Assistance The project will also provide funding for contracting technical assistance services. Communities will include within the budget for investment the required technical assistance to carry out the proposed investment. The project will fund 100% of technical assistance, with an average of US\$5,000 assigned per project.

(d) Analysis of Best Practices and Lessons Learned In order to benefit from the experience gained in preparing, implementing and providing technical assistance to sub projects developed by the local indigenous organizations, the project will finance four regional workshops (Santiago-Comaina, Gueppi and Pacaya-Samiria, Alto Purus, and Sira) where the experience of sub project implementation at the target area level, and recommendations for future action, will be presented and debated.

All along the sub grant investment cycle, financial management will be the responsibility of the beneficiary organizations. They will open an account and handle the resources, contracting out the pre-investment studies, the acquisition of goods and services required for project implementation, and the technical assistance, providing the FPT with narrative and financial reports as required in the corresponding contracts. The FPT will establish for each target area a roster of qualified consultants and consulting firms from which beneficiaries will be able to recruit the services needed for pre investment and technical assistance services.

Project Component 3 - US\$ 2.00 million

3. Monitoring and Evaluation

The project will finance the design and implementation of a monitoring and evaluation system for INRENA. The system is based on participatory mechanisms and will be initially tested within the context of the project and project areas of intervention. It can be later expanded to all SINANPE areas. The design of this component was undertaken by the World Wildlife Fund for Nature (WWF) during Block B, and has been refined during appraisal, mainly in order to build INRENA's capacity to use the system for SINANPE as a whole. The proposed system is multi-dimensional, addressing impact on biological and socio-economic processes as well as institutional performance. It is based on: (i) development of biological and socio-economic baselines and databases; (ii) design and implementation of participatory biological and socio economic monitoring instruments; and (iii) design and implementation of instruments for measuring the management efficiency of protected areas.

3.1 Biological and Socio Economic Baselines and Data Bases

(i) Constructing biological and socio-economic baselines. The baselines will be determined by following evaluation protocols and standards established for implementation of the system. A preliminary biological and socio-economic database structure has been developed during Block B preparation. Data will be stored using a Geographic Information System (GIS) to be located at INRENA.

(ii) Collecting and organizing biological and socio-economic existing information. Biological information will be organized taxonomically and according to single ecological processes. Threatened or rare flora and fauna species and taxa of a high hierarchical level will receive special attention. Socio economic information will include distribution of economic activities in community territories, occurrence of productive activities over time and data related to community organizational structure as it refers to natural resource use.

(iii) Designing habitat conservation monitoring plans. Based on data analysis threats to habitat integrity will be determined including ecological processes.

(iv) Developing and maintaining georeferenced biological and socio-economic databases.

3.2 Biological and Socio Economic Monitoring

Biological monitoring is necessary to ensure that the conservation goals of the project are being met and that community conservation plans and other activities are having a positive impact on the stability, size and biological richness of priority habitats and species. Biological monitoring allows detection of changes in habitat stability and species abundance. A key element to monitor habitat stability is through vegetation cover and land use analysis. The other central component of biological monitoring is indicator species. Flora and fauna indicator species will be selected for each project area based on representation and persistence analysis. Reproductive information on these species will also be collected and analyzed

Socio-economic monitoring includes indicators to determine impact on the income and quality of life of local communities the use of biodiversity resources on household income. Information will be collected by using a structured survey administered to a statistically representative household sample.

3.3 Area Management Monitoring

In order to determine if effective management and co-management of areas is being provided an area management monitoring system will be put in place. This will allow to measure strengths and weaknesses in protected area management practices and to determine improvements over time. A management score card will be used to measure progress. The score card will provide information on: (i) legal status of the protected area, (ii) grassroots participation, (iii) leadership, (iv) gender issues, (v) participatory organization and planning, (vi) financial sustainability, (vii) management programs, (viii) environmental education and interpretation programs, (ix) technical assistance, (x) information availability, (xi) biological and socio-economic monitoring programs, (xii) formal and informal natural resource use, (xiii) infrastructure and, (xiv) biodiversity threats and conflicts. The application of the scorecard will be transparent and participatory including the involvement of all stakeholders in protected area management. A scorecard has been developed during Block B preparation by the Conservation Data Center (CDC) which will be tested during preparation of the Participatory Management of Protected Areas project being formulated.

3.4 Training, technical assistance and operational support.

The project will finance technical assistance for developing and implementing the system and provide training to INRENA personnel, project staff and community leaders in the use of monitoring tools. Equipment for the central INRENA Monitoring and Evaluation Unit and for field staff will also be provided.

Project Component 4 - US\$3.76 million

4. Project Implementation

The project will strengthen the capacity of INRENA to manage SINANPE. It will finance: (i) the operation of a coordinating body to provide guidance to project implementation; (ii) the staff and operating costs of a special implementing unit, in charge of project implementation; (iii) additional staff costs of specialists on legal issues, social/indigenous affairs, gender and monitoring and evaluation at the central level;

4.1 Project national coordination mechanisms.

Guidance in project implementation will be provided by a Project Steering Committee (SC). The SC will be composed of: (i) the Director of DGANPFS of INRENA who will preside it; (ii) a representative of the

Technical Secretariat of Indigenous Affairs (SETAI) of the Ministry of Women and Human Development (PROMUDEH); (iii) two representatives of indigenous people organizations appointed by the Interethnic Association for the Development of the Peruvian Rain Forest (AIDSEP) and the Peruvian Confederation of Amazonian Nationalities (CONAP); (iv) a representative of the National Environmental Society (SNA); (v) a representative of the International Union for Conservation of Nature (IUCN). An IBRD official will participate in SC meetings as an observer. The SC will: (i) provide policy guidelines for project implementation; (ii) approve core staff appointments; (iii) approve annual operating plans and budgets (AOPB); (iv) review annual project implementation reports; (v) consider project implementation monitoring reports; and (vi) review annual auditing reports prepared by external auditors.

4.2 Project Special Implementation Unit

The project will finance the establishment of a Special Implementation Unit (SIU) within INRENA. The SIU will have legal, administrative and financial autonomy. The establishment of the SIU, to the satisfaction of the Bank, will be a condition for grant effectiveness. The SIU will be composed of a Central Project Team (CPT) and five Field Project Teams (FPT). At both the central and field levels, guidance to project implementation will be provided by a SC and ZCCs.

The Central Project Team (CPT), will be staffed by: (i) a Project Coordinator, (ii) an administrative manager, (iii) an accountant, (iv) a treasurer; (v) and support staff. Its main task will be to: (i) administer and manage the project; (ii) ensure coordination of project activities with INRENA projects and programs and government institutions involved in indigenous people issues; (iii) call for public tenders for implementation of project activities in accordance with agreed upon procurement guidelines; (iv) establish, administer and supervise the work of FPTs; (v) monitor and evaluate project progress; (vi) contract annual external auditing of project accounts and represent the project before a Project Steering Committee (SC).

4.3 Technical Assistance

The project will finance the services of an legal, a social/indigenous affairs and a gender specialist, attached to the DGANPFS at INRENA, to enhance its capacity to address a number of new issues arising of the process of bringing in indigenous participation into protected area and natural resources management. The project will also finance the operations of the INRENA Monitoring and Evaluation Unit, providing it with the required equipment. and covering the salaries of a Unit Manager and a GIS specialist.

4.4 Project Monitoring

The project will finance a mid-term evaluation and an End-of-Project evaluation. These evaluations will be out-sourced. Monitoring during project implementation will be carried out by the CPT and ZPTs based on indicators included in the logical framework matrix agreed upon during appraisal.

Annex 3: Estimated Project Costs

PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

Project Cost By Component	Local US \$million	Foreign US \$million	Total US \$million
Participatory Biodiversity Conservation	8.39	0.46	8.85
Sustainable Uses of Biodiversity	7.47	0.00	7.47
Monitoring and Evaluation System	1.87	0.01	1.88
Project Management	3.57	0.08	3.65
Total Baseline Cost	21.30	0.55	21.85
Physical Contingencies	0.41	0.00	0.41
Price Contingencies	0.49	0.00	0.49
Total Project Costs	22.20	0.55	22.75
Total Financing Required	22.20	0.55	22.75

Project Cost By Category	Local US \$million	Foreign US \$million	Total US \$million
Works	1.00	0.00	1.00
Goods	0.67	0.38	1.05
Consulting Services	9.38	0.06	9.44
Sub Grants	5.57	0.00	5.57
Personnel	3.10	0.00	3.10
Operative Costs	1.58	0.11	1.69
Unallocated	0.90	0.00	0.90
Total Project Costs	22.20	0.55	22.75
Total Financing Required	22.20	0.55	22.75

Annex 4

PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

Incremental Cost Analysis

Overview

The general objective of the GEF alternative is to support biodiversity conservation and its sustainable use in the Amazon through the creation of new protected areas under communal management by indigenous peoples. The GEF alternative intends to achieve these outputs at a total incremental cost of approximately US\$ 10.24 million.

Context and Broad Development Goals

The project will support sound and participatory protected area and natural resource indigenous management in the Peruvian Amazon, as a strategy to alleviate rural poverty. The GoP commitment to this goal is expressed the recent establishment of Reserved Zones in three of the five target areas of the project; preparation of the bylaws for Law of Natural Protected Areas, and by the approval of the Master Plan for the SINANPE. In parallel to this commitment, the GoP is also promoting a greater involvement of local communities, particularly indigenous peoples in the direct management of protected areas to ensure equitable benefits resulting from the establishment of communal reserves as part of an overall strategy for rural poverty alleviation.

Currently, the System of National Protected Areas (SINANPE) covers around 6.5 % of the Peruvian Amazon. An expansion of the protected area coverage is required to maximize the chances for achieving long-term biodiversity conservation from a landscape approach. In 1994, and with the support of GTZ and the NGO community, the Government of Peru produced a Master Plan for the National System of Protected Areas. The Plan identifies new protected areas that need to be established in order to achieve ecoregional representation and to protect the highest priorities from a biological perspective. This “ideal” representative system would eventually include approximately 65 areas of national importance covering between 12 and 15 percent of the territory. The national system currently includes 52 protected areas. Adding new areas to the system, however, must be done with caution, carefully weighing the positive incentives of new political opportunities and commitment against the realities of institutional management capacities that need to be strengthened over the long term.

Baseline

The expansion of the system of protected areas in Peru to achieve the long-term targets identified in the Master Plan is limited by the lack of financial resources. Progress towards achieving the sustainability of the present system has been good, with increased budget allocations by the central government and a growing role of PROFONANPE in transferring funds to finance recurrent costs (Table below). The system now has a total of 52 areas, most of which have permanent presence and enjoy some form of management; 39 of these areas have a Park Director on the ground. It is widely recognized, however, that additional efforts are required to achieve a level of adequate management for the entire system, even though many areas are receiving adequate support from the central government, PROFONANPE, international bilateral agencies, and NGOs. A few of them, such as the Manu National Park, have reached a level of funding of recurrent costs and substantial progress towards social sustainability through direct community involvement in their management affairs. From the perspective of biodiversity conservation, however, the system is incomplete and additional protected areas need to be created in accordance with the Master Plan of the Protected Areas System.

Year	Number of Protected Areas	Number of Areas with a Park Director	Total Park Guards	State Budget Allocation (US\$)*	Allocation through INRENA (US\$)	Allocation through PROFONANPE
1991	39	10	60	163,400	Not available	

1992	39	10	35	190,000	Not available	
1993	39	10	70	264,500	Not available	
1994	40	15	100	331,900	Not available	
1995	41	22	120	634,891	Not available	
1996	44	32	190	459,850	Not available	500,000
1997	45	35	220	1,399,627	430,000	1,700,000
1998	48	39	240	4,593,708**	410,000	2,400,000

* Includes resources from agencies other than INRENA that directly support park management activities

** Includes a large one-time buffer-zone project in the Tumbes Mangroves (Manglares de Tumbes)

The baseline situation, however, does not allow an expansion of the system with a concomitant achievement of long-term sustainability from financial and social perspectives. The creation of new areas in this vacuum could result in creating new paper parks without sufficient consultation and support from local communities.

Global Environmental Objectives

The Amazon of Peru is a part of the largest continuous forest on the planet, which includes 40 percent of all remaining tropical forests of the world. The fact that it is the most important repository of biological diversity on earth is undisputed. Given its strategic location in the upper watershed of the basin, Peru's Amazon contains a very rich biodiversity expressed in terms of unique species richness, high levels of endemism, and habitat diversity. Even though the region needs to be studied in greater detail, many areas in the Peruvian Amazon already hold world records in terms of biodiversity richness.

The project will support conservation in least 9 million ha. of mostly recently created protected areas in the Peruvian Amazon, while supporting greater management participation by indigenous communities as a strategy to ensure social sustainability.

GEF Alternative

Under GEF support, the Government of Peru will be able to, in addition to implement the baseline activities: (i) designate new areas for conservation and categorize recently created ones, incorporating indigenous communities into the conservation effort through communal reserves, Protected Area Management Committees, or other similar means; (ii) develop management plans and management agreements to transfer responsibility to indigenous communities with assistance from INRENA; (iii) strengthen institutional and organizational capacity of indigenous peoples to assist them in conservation and management of the communal reserves; (iv) develop pilot projects on sustainable use of biodiversity to provide economic incentives for conservation; and (v) establish biodiversity, socio-economic and protected area management monitoring through a project M&E system. The total cost of the GEF alternative is \$19.17M.

Incremental Costs

The GEF is therefore requested to finance the incremental costs of creating and/or categorizing new areas and for ensuring a meaningful level of participation in the management by local indigenous communities in order to work towards the achievement of their long-term biological and social sustainability. The agreed incremental costs for which GEF support is requested in order to achieve the global environmental benefits of the GEF alternative are estimated at US\$ 10.24 million.

Incremental Cost Matrix for GEF Funding

Component	Cost Category	Cost US\$ Million*	Domestic Benefit	Global Benefit
1. Participatory Biodiversity Conservation	Baseline	\$4.93	Incipient use of resources by indigenous communities	Maintenance of forest cover and habitats in the short-term
	GEF Alternative	\$9.24	Empowering of local indigenous communities to use natural resources sustainably and to support their goals of self-determination	Conservation and sustainable use of at least 6 million ha. of Amazonian rainforest
	Incremental	\$4.31		
2. Sustainable Uses of Biodiversity	Baseline	\$4.64	Incipient level of indigenous people's organization at community and national levels	Some biodiversity conservation due to traditional use systems by indigenous people
	GEF Alternative	\$7.75	Greater capacity by indigenous people to manage and benefit from sustainable use projects	Greater opportunities to empower indigenous communities to conserve biodiversity
	Incremental	\$3.11		
3. Monitoring and Evaluation	Baseline	\$0.71	Use of resources by indigenous people in the Amazon may not be sustainable	Some biodiversity is conserved in the short-term due to complementarities between indigenous traditions and biodiversity conservation
	GEF Alternative	\$1.99	Increase likelihood of achieving sustainable use of natural resources	Sustainable use of biodiversity in the Peruvian Amazon
	Incremental	\$1.28		
4. Project Management	Baseline	\$2.46	None	None
	GEF Alternative	\$3.76	Opportunities for promotion of successful experiences of sustainable management of natural resources	Accurate understanding of status and impact of management regimes upon biodiversity

	Incremental	\$1.30		
<u>TOTALS</u>	Baseline	\$12.75	Use of natural resources by indigenous people in the Amazon allows for insufficient income generation and may not be sustainable in the long-term	Ecosystems and biodiversity are conserved to some extent due to compatibilities between indigenous traditions of resource use and biodiversity conservation objectives.
	GEF Alternative	\$22.75	Greater opportunities for sound natural resources management and poverty alleviation of indigenous communities	Sustainability of conserving at least 6 million ha. in new protected areas in the Amazon managed by indigenous people.
	Incremental	\$10.00		

Annex 5: Financial Summary

PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

The project will become effective on April 2001.

Perú Indigenous Management of Protected Areas in the Peruvian Amazon Components by Funding

(US\$ '000)

	GEF		INRE*		WB		Other		Benef		Total		Fore	Local	Dut &
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	Exch	Exc Tax	Taxes
A. Partic Biodivers Conser	4,308	46.6	1,571	17.0	2,287	24.7	1,076	11.6	-	-	9,242	40.6	458	7,985	799
1. Creat & Categor Prot Areas	598	73.9	141	17.4	-	-	70	8.6	-	-	809		-	672	137
2. Strength Participat Mech	1,253	51.0	220	9.0	928	37.8	57	2.3	-	-	2,457		185	2,099	172
3. Indig Train Participat Mech	266	23.6	24	2.1	836	74.2	-	-	-	-	1,127		-	1,103	24
4. Prov Infraest Protec Areas	1,290	79.4	296	18.2	-	-	38	2.4	-	-	1,624		216	1,151	258
5. Zonal Project Team	901	27.9	890	27.6	523	16.2	911	28.3	-	-	3,225		57	2,960	208
B. Sustain Uses Biodivers	3,112	40.2	272	3.5	2,531	32.7	823	10.6	1,011	13.0	7,749	34.1	-	7,477	272
C. Monit & Evaluat System	1,283	64.2	443	22.2	-	-	271	13.6	-	-	1,997	8.8	13	1,747	237
1. Monitoring & Evaluat System	953	66.7	205	14.3	-	-	271	19.0	-	-	1,429		-	1,224	205
2. M&E System Operat Support	330	58.1	238	41.9	-	-	-	-	-	-	568		13	523	32
D. Project Implementation	1,297	34.5	849	22.6	183	4.9	1,432	38.1	-	-	3,760	16.5	78	3,250	432
1. Steering & Zonal Committees	229	54.4	192	45.6	-	-	-	-	-	-	421		34	334	53
2. Central Project Team	636	63.0	373	37.0	-	-	-	-	-	-	1,009		44	870	95
3. DGANPFS Tech Assist	432	18.5	284	12.2	183	7.9	1,432	61.5	-	-	2,331		-	2,046	284
Total	10,000	44.0	3,135	13.8	5,000	22.0	3,603	15.8	1,011	4.4	22,749	100	549	20,459	1,741

* includes INRENA's direct contributions + duties and taxes

Peru Indigenous Management of Protected Areas in the Peruvian Amazon Local/Foreign/Taxes by Financiers (US\$ '000)

	INRENA		GEF		WB		Others		Benefici.		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Foreign	55	-	447	81.6	30	5.6	16	3.0	-	-	548	2.9
Local (Exc	1,339	-	9,553	58.0	4,970	6.8	3,587	21.2	1,011	6.0	20,460	88.1
Taxes	1,741	100.0	-	-	-	-	-	-	-	-	1,741	9.1
TOTAL	3,135	9.1	10,000	53.5	5,000	6.1	3,603	18.8	1,011	5.3	22,749	100.0

Annex 6: Procurement and Disbursement Arrangements

PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

Procurement

A) Procurement Arrangements

Procurement for the proposed project would be carried out in accordance with World Bank "*Guidelines: Procurement Under IBRD Loans and IDA Credits*", published in January 1995 (revised January/August 1996, September 1997 and January 1999); and "*Guidelines: Selection and Employment of Consultants by World Bank Borrowers*" published in January 1997 (revised in September 1999 and January 1999), and the provisions stipulated in the Loan Agreement.

The Special Implementation Unit (SIU) to be established within INRENA will be responsible for carrying out procurement under the Project.

1) Procurement methods: The methods described below and their estimated amounts are summarized in Table A. The threshold contract values for the use of each method are established in Table B.

Procurement of Works

Contracts for civil works are minor and would be awarded through shopping procedures; an aggregate amount is set at \$1.20m. Individual contracts would range between \$7,000 and \$60,000. These include construction of new facilities and/or renovation works at eight Park Management Facilities, seven Interpretation Centers and twelve Indigenous Community Centers in the project areas. There would also be some maintenance works of existing trails in the selected areas. Comparison of price quotations from at least three qualified suppliers would be required per contract.

Procurement of Goods

Goods include 4 vehicles, 18 computers, 28 motorboats, minor office equipment (radio, telephone, etc.) and furniture. Contracts for vehicles and motorboats estimated to cost over \$50,000 would be awarded through national competitive bidding (NCB) procedures; standard NCB documents acceptable to the Bank would be used. Contracts valued at less than \$50,000, up to an aggregate amount of \$650,000, would be procured using shopping procedures based on a model request for quotations satisfactory to the Bank. No ICB operations are expected.

Selection of Consultant Services and Training

Consulting services include monitoring & evaluation, technical assistance, studies, promotional services and provision of training. Contracts for Monitoring and Evaluation activities estimated at over \$200,000 would be awarded through international competition using QCBS (Quality & Cost) procedures. Studies and technical assistance for preparation of management of protected areas, design of master plans, assistance to the community-executed investments and training services would include participation of private firms, NGOs, universities and scientific institutions. Contracts valued at over \$100,000, up to an aggregate of \$600,000 would be awarded on the basis of quality using Fixed Budget procedures. Contracts estimated at \$100,000 or less would be awarded, in cases of studies/technical assistance, through Consultants' Qualifications procedures and through Least Cost Selection method, in cases of services of a straightforward nature that can be clearly defined. The combined aggregate amount is set at \$2,000,000.

Training services would include financing of facilitators, trainers, rents, materials, meals and travel

expenses for participants.

Specialized advisory services would be provided by individual consultants selected in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Investment Subgrants

The Project includes a US\$1.7 million fund to finance initiatives proposed by communities. The amount of individual initiatives would average US\$30,000 and will not exceed US\$60,000. Each individual subproject budget includes 1/6th for feasibility studies and 1/6th for technical assistance. A subproject manual indicating requirements and procedures applicable to the subprojects will be prepared and its submission is a condition of disbursements for this specific Category. The manual would stipulate, in addition to eligibility, selection criteria and conditions, the requirement that procurement would be done through comparison of three price quotations to the extent that it is possible. The subprojects are to be community-executed; the communities will be required to provide matching funds at a ratio of 1:1 for the investment components of the subprojects.

The SIU would have responsibility to see that the agreed procedures for the investment subprojects are being followed.

Operating Costs

The Project would finance Operating Costs that include salaries for core staff of the Central and Regional Project Teams. It would also finance sundry items such as office rental, utilities, office supplies, fuel, communications, transportation and other expenses related to the daily operation of the project. These items would be procured according to shopping procedures to the extent that it is practical.

2) Prior review thresholds: The proposed thresholds for prior review are based on the procurement capacity assessment of the project implementing unit and are summarized in Table B. In addition to this prior review of individual procurement actions, an Annual Operating Plan and budget for the Project will be reviewed and approved by the Bank each year.

B) Assessment of the agency's capacity to implement procurement

An assessment of the capacity of a prospective SIU that would implement procurement actions for the project has been carried out and was approved by the Regional Procurement Advisor on March 8, 2000. This assessment reviewed the organizational structure of the SIU to be formed, and included meetings with the INRENA's Project preparation team, and its Administrative and Legal Departments. Recommendations on actions to be taken by the Client include: (i) selection of qualified SIU core staff, with particular attention to the identification of an administrative manager with experience in contracting; (ii) preparation of the Project Operations Manual; (iv) preparation of standard documents for National Bidding; and (iii) presentation of the Procurement Plan for the first year of implementation. The rating of risk assessment below may be revised upon satisfactory compliance of these recommendations.

The overall project risk for procurement is High

Procurement activities would be carried out by a SIU central team, which would have a high degree of autonomy within INRENA. At the time of assessment the SIU central core staff had not been identified; however, its composition, as discussed with INRENA, seems adequate to carry out the procurement/contracting activities specific to this Project. The core team would consist of a Project Coordinator, an administrative manager who would have procurement/contracting responsibilities, an accountant, a treasurer, and an assistant.

The SIU central team would manage and monitor procurement activities under the Project. As field teams become operational in the Project areas, they would be delegated to carry out smaller acquisitions under guidance of the central team.

The risks identified in the assessment relate mostly to the absence of past experience, since the SIU is to be newly created. Considering that organization, functioning and procedure of procurement aspects will be contained in the Operational Manual, its clarity and timely preparation, in addition to the qualifications of the administrator, is of utmost importance.

Presentation to the Bank of a draft Operations Manual would be required before of Grant Signature, and staffing of the SIU before Grant Effectiveness.

To ensure SIU's adherence to the processes established for the Project, it is recommended that the Grant Agreement states that Bank Guidelines only will be followed. In addition, standard provisions on discrepancies between National Law and Bank guidelines should be included.

Regarding compliance with requirements for PMR-based disbursements, the SIU is not expected to have in place a monitoring and reporting procurement system in the near future. Around the eighth month into project implementation the SIU would acquire and implement a suitable software to enable the use of PMR-based system; transfer into this new system would be fully completed and operating within 18 months after project initiation. Clearly at present the SIU is not eligible for PMR-based disbursements on procurement reporting grounds. This situation will be re-examined at a later time once the software is in place.

C) Procurement Plan

An indicative plan for the 5-year period of project implementation has been prepared which provides the basis for the aggregate amounts for the procurement methods (per Table A). A preliminary Procurement Plan has been prepared for the first year of project implementation; an updated Plan would be presented to the Bank before Grant Effectiveness. Subsequent plans will be submitted yearly.

D) Frequency of Procurement Supervision

In addition to the prior review it is recommended that one full supervision mission visit the field to carry out post review of procurement actions every 6 months after project initiation. Such post-review field analysis should cover a sample of not less than 1 in 5 contracts signed. This recommendation may be revised according to risk assessment, as already indicated.

Procurement methods (Table A)

Table A: Project Costs by Procurement Arrangements
(US\$ million equivalent)

Expenditure Category	Procurement Method¹				Total Cost
	ICB	NCB	Other²	N.B.F.	
1. Works	0.00 (0.00)	0.00 (0.00)	1.20 (0.99)	0.00 (0.00)	1.20 (0.99)
2. Goods	0.00 (0.00)	0.40 (0.35)	0.65 (0.57)	0.20 (0.00)	1.25 (0.92)
3. Services	0.00 (0.00)	0.00 (0.00)	4.80 (4.43)	5.20 (0.00)	10.00 (4.43)

4. Sub Grants	0.00 (0.00)	0.00 (0.00)	1.75 (1.75)	3.82 (0.00)	5.57 (1.75)
5. Recurrent Costs	0.00	0.00	4.51	0.47	4.98
Personnel + Operating Costs	(0.00)	(0.00)	(1.91)	(0.00)	(1.91)
Total	0.00 (0.00)	0.40 (0.35)	12.91 (9.65)	9.69 (0.00)	23.00 (10.00)

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Grant. All costs include contingencies

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Personnel refers to CTP and FPT staff in charge of project implementation; operating costs refers to office rental, utilities, office supplies, fuel, communications, transportation and other expenses related to the daily operation of the project.

Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review ¹

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ millions)
1. Works	<100	Shopping	First contract only 0.05
2. Goods	>50	NCB	First contract only 0.10
	<50	Shopping	
3. Services: Firms	>200	QCBS	All contracts 0.80
	>100	Fixed Budget	All contracts 0.60
	<100	Consultant Qualifications & Least Cost Selection	First contract under each method 0.15
4. Individual Consultant	>50	Per Section V of Consultants Guidelines	Two contracts 0.15
	>20	Per Section V of Consultants Guidelines	Terms of Reference only
5. Biodiversity Sub grants			First Sub Grant only

Total value of contracts subject to prior review: US\$2.4 m.

Overall Procurement Risk Assessment

High

Frequency of procurement supervision missions proposed: One every 6 months (includes special procurement supervision for post-review/audits)

¹ Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.

Disbursement

Allocation of grant proceeds (Table C)

Disbursements will be made over a five-year period. Effectiveness expected in March 2001 and a grant Closing Date of December 31, 2006. An amount of US\$250,000 of eligible expenditures made after October 15, 2000 may be financed retroactively from the grant account.

Approval by the World Bank of an specific Operations Manual is a condition for Disbursement for Expenditure Category 4.

Semi-annual plans will be the mechanism for making disbursement estimates and measuring disbursement performance. The allocation of loan proceeds is indicated in Table C of this annex.

Initially INRENA will follow the traditional disbursement system and intends to move onto LACI as it gains familiarity with this first GEF operation *but within 18 months from effectiveness*. An action plan has been agreed upon with INRENA to this end.

Table C: Allocation of Grant Proceeds

Expenditure Category	Amount in US\$million	Financing Percentage
1. Works	0.79	85%
2. Goods	0.73	85%
3. Consulting Services & Training	4.12	100%
4. Sub Grants	1.75	100% of disbursed amounts
5. Recurrent Costs	1.71	85% up to 12/31/2002 65% up to 12/31/2004 40% up to end
Unallocated	0.90	
Total Project Costs	10.00	
Total	10.00	

Contents of each expenditure category are detailed in the Procurement Section of this Annex, under A1 Procurement Methods

Use of statements of expenditures (SOEs):

Most grant funds are expected to be disbursed through Statement of Expenditure (SOEs) forms. For all other expenditures, e.g., consultant services over \$50,000 with individuals and \$100,000 with firms, full supporting documentation will be required.

Special account:

A Special Account in US Dollars will be established in a Commercial Bank, acceptable to the Bank. Until aggregated disbursement amount to US\$1'000,000, the Special Account will have an authorized allocation of US\$250,000. After such threshold is met, the authorized allocation will be of US\$500,000. The Special Account will be maintained by the depositary bank in a way that satisfies the requirements listed in Annex A of OP 12.2. Bank statements will show all transactions in and out of the account, including amounts advanced and reimbursed by the World Bank, and balance at the end of each month. Under PMR-based disbursement, the maximum amount in the Special Account shall not exceed US\$2.0 million.

Accounting, financial reporting, and auditing arrangements. The SIU will employ a qualified financial officer

and sufficiently staffed by an accountant to keep adequate records specific to the project and prepare the financial statements, and auxiliary staff to execute financial operations and provide control over project assets. This system will have a double entry automated accounting system comprising a general ledger and supporting subsidiary records (check register, journal ledger). The account structure used to record expenditures will comprise 3 classifications: the government budget classifications, the component and sub-component of the project document, and cost categories.

INRENA through SIU will develop and document the detailed procedures of all financial operations of the project: cash receipts, disbursements, control over advances, replenishment procedures, account reconciliation and controls, and reporting requirements and include these in the Operations Manual.

For the purposes of carrying out the project, deposits into the Special Account and their replenishments will be made on the basis of cash withdrawals statements based initially on Statements of Expenditure and later with the conversion to LACI they will be based on cash forecasts contained in quarterly Project Management Reports. Each of these reports would show: (i) actual sources and applications of funds for the project, both cumulatively and for the period, and projected sources and applications of funds for the project for the following six-months; (ii) list separately expenditures financed out of the credit during the period covered by the report and expenditures proposed to be financed during the following six-month period; (iii) describe physical progress in project implementation, both cumulatively and for the period covered, and explain variances between the actual and previously forecast implementation targets; and (iv) set forth the status of procurement under the project and expenditures under contracts financed from the credit, for the period covered.

In order to begin disbursements, INRENA will have in place by effectiveness both the staff and financial management systems satisfactory to the Bank, which will have undergone an assessment by a Bank Financial Management Specialist and will have either the capacity to produce the quarterly PMR, as required under LACI, or have presented to the Bank a satisfactory action plan to develop this capacity within 18 months.

External audits in accordance with the terms of reference acceptable to the Bank will be engaged annually and the opinion with the related statements presented to the Bank within four months of the fiscal year end. In addition to the financial year end audit, four quarterly concurrent audits will be conducted yearly to ensure acceptability of project financial management. All supporting records will be maintained at the project site for at least one year after the completion of the project.

Annex 7: Project Processing Schedule
PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	11	20
First Bank mission (identification)	11/01/98	11/01/98
Appraisal mission departure	08/01/99	03/29/2000
Negotiations	10/01/99	11/13/2000
Planned Date of Effectiveness	01/01/2000	04/01/2001

Prepared by:

INRENA

Josefina Takahashi, Head of INRENA

Luis Alfaro, Director DGANPFS

Jorge Alarcon, Consultant

Roberto Espinoza, Consultant

Preparation assistance:

WWF, Research Institute of the Peruvian Amazon (IIAP)-Iquitos, SETAI, AIDSEP, CONAP, UICN-Peru

Bank staff who worked on the project included:

Name	Speciality
Carlos Monge	Task Team Leader, Rural Development Specialist
Gonzalo Castro	Biodiversity Specialist
Juan Martinez	Social Development Specialist
Vivian Weiner	Consultant
Pierre Werbrouck	Sr. Agricultural Economist
Carmen Palaco-Nielsen	Procurement Specialist
Paul Sisk	Financial Management Specialist
Gary Costello	Environment and Project Design Consultant
Dario Pulgar	Consultant
Hugo Wiener	Consultant

Annex 8: Documents in the Project File*
PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

A. Project Implementation Plan

1. Project Procurement Plan Year 1

2. Project and Sub-Projects Operation Manuals (under preparation)

3. Institutional Directory (Draft)

4. Reports:

Project Participatory Monitoring and Evaluation Plan (Proposed) *

Plan Maestro de la Reserva Nacional Pacaya Samiria (Versión Preliminar)

Informes Técnicos Indígenas sobre el Alto Purús y la Reserva del Sira

Informe Final del Area Reservada Alto Purús y El Sira

Georeferenciación de las Area Naturales Protegidas Santiago Comaina, Alto Purús, Pacaya Samiria, El Sira, y Güeppí

Informe Final Componente Bioinversión Comunitaria

Aproximación Biológica a la Zona Reservada de Gueppí, Santiago Comaina y a la Reserva Nacional Pacaya Samiria

Diagnóstico y Propuesta Preliminar para las Areas Reservadas El Sira, Alto Purús, Güeppí, Santiago Comaina y Pacaya Samiria

Informe Técnico Final del Estudio Biológico de la Zona Reservada del Alto Purús y El Sira

Justificación para la Ampliación de la Zona Reservada Santiago Comaina hacía la Cordillera del Campanquis y Margen Derecha del río Morona

Aproximación Social a la Zona Reservada Santiago Comaina, Güeppí y a la Reserva Nacional Pacaya Samiria

Propuesta de Evaluación y Seguimiento de la Conversión de la Cobertura en Tres Areas Naturales Protegidas del Proyecto

Asesoría Forestal en Campo en la Zona Reservada de Santiago Comaina, Güeppí y Pacaya Samiria

Consultoría de Cooperación Institucional y Financiera para el Proyecto

5. Aide Memoires:

Taller Final de Planificación Participativa para la Zona Reservada de Güeppí

Taller sobre Visión de Futuro de la Reserva Nacional Pacaya-Samiria

B. Bank Staff Assessments

C. Other

1. Reports:

Estudio Justificadorio para el Establecimiento de una Zona Reservada en la Cordillera del Colán, Departamento de Amazonas, Perú

Delimitación y Categorización Definitiva de la Zona Reservada de Güeppí

Informe Taller de Planeación Estratégica con Enfoque y Cosmovisión Shipiba

Informe de Avance: Elaboración del Plan Maestro de la Reserva Nacional de Güeppí

Informe Técnico Final Sobre Diagnóstico Participativo de la Reserva El Sira

Estudio de Diagnóstico de los Recursos Naturales del ANPE Santiago Comaina y Mapa Base y Fisiográfico del ANPE Güeppí

Expediente Técnico Zona Reservada de la Cuenca del Río Alto Purús (INRENA)

Plan Maestro RNPS: Material Procesado de los Talleres Zonales en Huarmi Isla, Sapuena, Nueva Esperanza y Esperanza; y de los Talleres Zonales en Montebello, Victoria y Manco Cápac

2. Map: Capacidad de Uso Mayor de las Tierras de la Amazonía

**Including electronic files*

Annex 9: Statement of Loans and Credits
PERU: Indigenous Management of Protected Areas in the Peruvian Amazon
31-Jul-1999

Project ID	FY	Borrower	Purpose	Original Amount in US\$ Millions			Difference between expected and actual disbursements ^a		
				IBRD	IDA	Cancel.	Undisb.	Orig	Frm Rev'd
PE-PE-39086	1999	GOP	URBAN PROPERTY RIGHT	38.00	0.00	0.00	35.03	9.16	0.00
PE-PE-65596	1999	MINISTRY OF FINANCE	FIN SECTR.ADJ.LN II	300.00	0.00	0.00	122.00	-178.00	0.00
PE-PE-54667	1998	GOVERNMENT OF PERU	EL NINO EMERGENCY LN	150.00	0.00	0.00	118.23	58.23	2.00
PE-PE-40125	1997	GOVERNMENT OF PERU	FONCODES II	150.00	0.00	0.00	65.80	60.80	0.00
PE-PE-42442	1997	GOVERNMENT OF PERU	SIERRA NATURAL RES.	51.00	0.00	0.00	27.62	-1.36	0.00
PE-PE-8037	1997	GOVERNMENT OF PERU	IRRIG. REHAB	85.00	0.00	0.00	62.67	24.48	-2.82
PE-PE-37047	1996	REPUBLIC OF PERU	RURAL RDS. REHAB & M	90.00	0.00	0.00	17.62	15.52	0.00
PE-PE-8051	1995	SEDAPAL	LIMA WAT.PRIVZN	150.00	0.00	0.00	64.21	55.61	0.00
PE-PE-8055	1995	GOVERNMENT	PRIM.EDUC	146.40	0.00	0.00	76.89	76.89	-2.26
PE-PE-8045	1994	GOVERNMENT	TRANSP.RHB	150.00	0.00	0.00	13.75	12.72	0.00
Total:				1,310.40	0.00	0.00	603.82	134.05	-3.08

PERU
STATEMENT OF IFC's
Held and Disbursed Portfolio
31-Jul-1999
In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1979/83/90/93	Buenaventura	0.00	0.00	1.69	0.00	0.00	0.00	1.69	0.00
1982/92/95	Wiese Leasing	7.27	0.00	1.43	5.71	7.27	0.00	1.43	5.71
1984	Minera Regina	1.71	0.00	0.00	0.00	1.71	0.00	0.00	0.00
1993/94	Yanacocha	2.40	0.00	0.33	0.00	2.40	0.00	0.33	0.00
1993/96	Quellaveco	0.00	11.52	0.00	0.00	0.00	10.30	0.00	0.00
1994	Banco Credito	3.64	0.00	0.00	0.00	3.64	0.00	0.00	0.00
1994	Peru Prvtzn Fund	0.00	0.00	20.00	0.00	0.00	0.00	13.89	0.00
1994	PPF Cayman	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1994/96	AFP Horizonte	0.00	0.00	0.23	0.00	0.00	0.00	0.23	0.00
1997	Interbank-Peru	20.00	0.00	0.00	100.00	20.00	0.00	0.00	97.98
1998	agroguayabito	7.00	0.00	1.00	0.00	5.50	0.00	1.00	0.00
1998	Latino Leasing	10.00	0.00	2.50	0.00	10.00	0.00	2.50	0.00
1998	Paramonga	22.00	0.00	0.00	23.00	14.18	0.00	0.00	14.82
Total Portfolio:		74.02	11.52	27.18	128.71	64.70	10.30	21.07	118.51

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
	Total Pending Commitment:	0.00	0.00	0.00	0.00

Annex 10: Country at a Glance

PERU: Indigenous Management of Protected Areas in the Peruvian Amazon

POVERTY and SOCIAL		Peru	Latin America & Carib.	Lower-middle-income
1998				
Population, mid-year (millions)		24.8	502	908
GNP per capita (Atlas method, US\$)		2,460	3,940	1,710
GNP (Atlas method, US\$ billions)		61.1	1,978	1,557
Average annual growth, 1992-98				
Population (%)		1.7	1.6	1.1
Labor force (%)		2.7	2.3	1.5
Most recent estimate (latest year available, 1992-98)				
Poverty (% of population below national poverty line)		49	..	..
Urban population (% of total population)		72	75	58
Life expectancy at birth (years)		69	70	68
Infant mortality (per 1,000 live births)		40	32	38
Child malnutrition (% of children under 5)		8	8	..
Access to safe water (% of population)		66	75	75
Illiteracy (% of population age 15+)		11	13	14
Gross primary enrollment (% of school-age population)		123	113	103
Male		125	..	105
Female		121	..	100

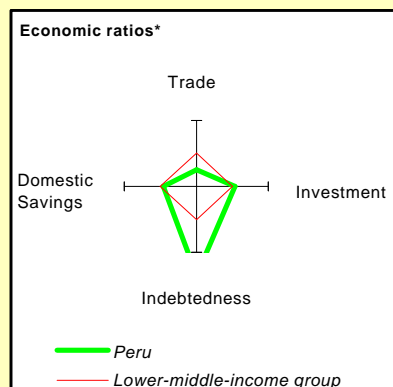
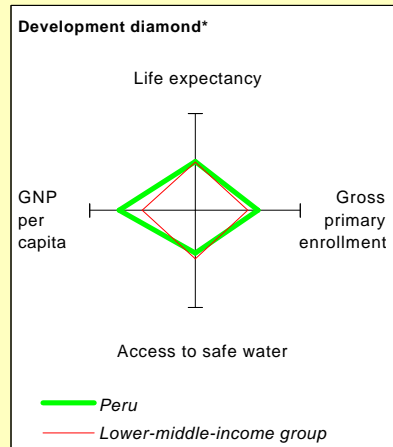
Development diamond*

Indicator	Peru	Lower-middle-income group
Life expectancy	69	68
Gross primary enrollment	123	103
Access to safe water	66	75
GNP per capita	2,460	1,710

KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1977	1987	1997	1998	
GDP (US\$ billions)	14.2	23.9	63.8	62.9	
Gross domestic investment/GDP	19.2	21.5	24.6	24.6	
Exports of goods and services/GDP	15.9	11.0	12.8	12.0	
Gross domestic savings/GDP	12.4	19.7	20.8	19.8	
Gross national savings/GDP	..	..	19.4	18.6	
Current account balance/GDP	-6.5	-8.3	-5.3	-6.0	
Interest payments/GDP	2.9	0.8	1.6	1.8	
Total debt/GDP	64.4	73.1	47.8	51.5	
Total debt service/exports	53.0	13.3	31.1	27.3	
Present value of debt/GDP	..	..	43.6	..	
Present value of debt/exports	..	..	294.9	..	
	1977-87	1988-98	1997	1998	1999-03
(average annual growth)					
GDP	1.7	3.9	7.2	0.7	5.7
GNP per capita	-0.8	2.6	5.4	-3.0	3.7
Exports of goods and services	0.5	7.0	13.0	2.4	7.9

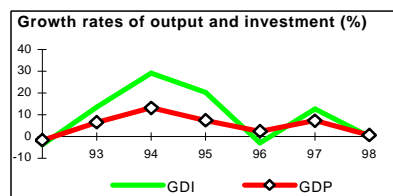
Economic ratios*

Indicator	Peru	Lower-middle-income group
Trade	15.9	12.8
Investment	24.6	24.6
Indebtedness	53.0	27.3
Domestic Savings	12.4	19.8



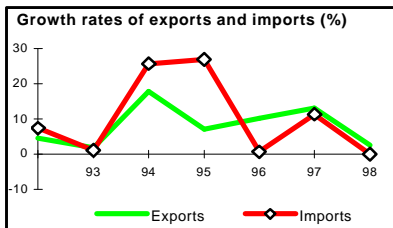
STRUCTURE of the ECONOMY

	1977	1987	1997	1998
(% of GDP)				
Agriculture	15.7	10.3	6.9	7.1
Industry	34.6	33.4	36.4	36.7
Manufacturing	20.8	23.4	22.9	22.0
Services	49.7	56.3	56.7	56.3
Private consumption	73.5	70.3	67.5	68.1
General government consumption	14.1	10.0	11.7	12.1
Imports of goods and services	22.7	12.7	16.6	16.7



(average annual growth)

	1977-87	1988-98	1997	1998
Agriculture	1.9	3.5	3.7	3.6
Industry	1.9	4.4	9.0	1.5
Manufacturing	1.2	3.1	6.0	-3.0
Services	1.4	3.5	6.6	-0.9
Private consumption	1.7	2.6	4.1	-0.2
General government consumption	1.6	2.6	4.6	2.4
Gross domestic investment	0.8	8.3	12.7	-0.1
Imports of goods and services	-0.7	10.0	11.3	-0.1
Gross national product	1.6	4.4	7.3	-1.2

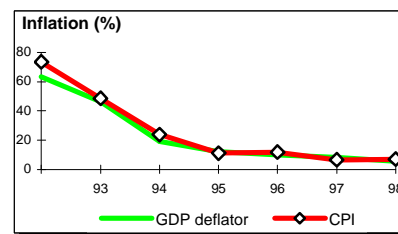


Note: 1998 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

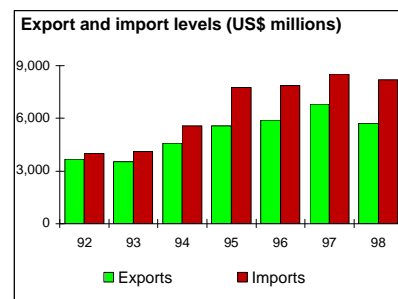
PRICES and GOVERNMENT FINANCE

	1977	1987	1997	1998
Domestic prices				
(% change)				
Consumer prices	31.2	85.8	6.5	7.0
Implicit GDP deflator	35.7	83.9	8.4	5.4
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	9.2	14.1	13.8
Current budget balance	..	-4.7	2.2	2.9
Overall surplus/deficit	..	-7.9	-0.7	-0.8



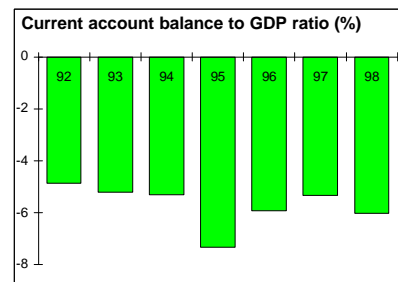
TRADE

	1977	1987	1997	1998
(US\$ millions)				
Total exports (fob)	..	2,715	6,813	5,723
Copper	..	562	1,096	391
Fishmeal	..	223	1,031	777
Manufactures	..	726	2,121	2,032
Total imports (cif)	..	3,215	8,552	8,199
Food	..	438	1,302	1,315
Fuel and energy	..	237	780	579
Capital goods	..	987	3,011	2,760
Export price index (1995=100)	..	76	101	86
Import price index (1995=100)	..	72	101	98
Terms of trade (1995=100)	..	105	100	88



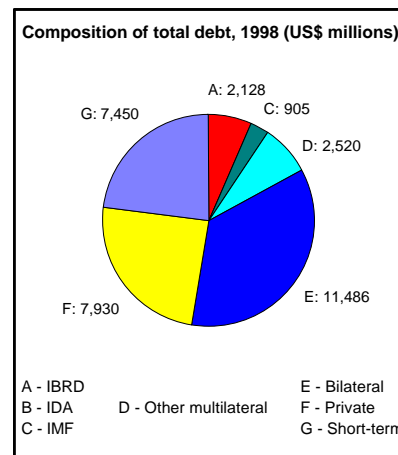
BALANCE of PAYMENTS

	1977	1987	1997	1998
(US\$ millions)				
Exports of goods and services	2,131	3,508	8,354	7,531
Imports of goods and services	2,687	4,379	10,840	10,530
Resource balance	-556	-871	-2,486	-2,999
Net income	-423	-1,221	-1,407	-1,454
Net current transfers	..	..	485	665
Current account balance	-926	-1,974	-3,408	-3,788
Financing items (net)	971	826	4,401	2,785
Changes in net reserves	-46	1,148	-993	1,003
Memo:				
Reserves including gold (US\$ millions)	398	1,159	11,254	9,971
Conversion rate (DEC, local/US\$)	8.38E-8	3.00E-5	2.7	2.9



EXTERNAL DEBT and RESOURCE FLOWS

	1977	1987	1997	1998
(US\$ millions)				
Total debt outstanding and disbursed	9,171	17,485	30,496	32,419
IBRD	171	1,214	1,920	2,128
IDA	0	0	0	0
Total debt service	1,136	481	2,936	2,452
IBRD	22	50	182	184
IDA	0	0	0	0
Composition of net resource flows				
Official grants	19	94	222	..
Official creditors	586	292	963	-1,323
Private creditors	17	79	373	1,772
Foreign direct investment	54	32	2,005	1,968
Portfolio equity	0	0	348	-369
World Bank program				
Commitments	60	0	507	38
Disbursements	33	63	490	271
Principal repayments	10	31	65	64
Net flows	23	32	425	207
Interest payments	13	19	117	120
Net transfers	10	13	308	87



Additional Annex No.: 11

Monitoring and Evaluation System (MES)

Background

A preliminary design for the project's Monitoring and Evaluation System (MES) component was prepared by the World Wildlife Fund (WWF) in collaboration with INRENA, the Peruvian Center for Social Studies (CEPES), the Center for Conservation Data (CCD) and indigenous peoples organizations represented by the Peruvian Indigenous and Peasant Coordinating Committee (COICAP), the Interethnic Association for the Development of the Peruvian Rain Forest (AIDESEP) and the Confederación de Nacionalidades Amazónicas del Peru. (CONAP). This component was to be implemented by WWF within the framework of the WWF-IBRD Alliance. WWF was to contribute approximately US\$ 800 000 towards the implementation of the system. During appraisal the Regional Procurement Advisor (RPA) questioned the convenience of a single source contract for US\$ 1.2 to be the project's contribution towards achieving component objectives and recommended that the Task Team revise the MES component during appraisal. A number of options were suggested. During appraisal the Task Team discussed component implementation issues with the Director of INRENA, concluding that the main elements of the proposed design for the system should be maintained but they should be broken down so as to allow for procurement of distinct elements over time. It was further agreed that the proposed system should serve as the basis for use by SINANPE as a whole after a two-year implementation period. The project will strengthen the capacity of INRENA to implement the system and establish a MES Unit at the central level.

Component Design and Activities.

During preparation, a number of preliminary M&E instruments were developed including drafts of: (i) biological, quality of life and institutional strengthening indicators; (ii) biological and socio-economic database frameworks; (iii) Geographic Information System (GIS) formats and (iv) a scorecard to monitor effective management of protected areas. These documents are available in the project file and will serve as the basis for preparation of Requests for Proposals (RFP) and tendering documents for the contracts to be awarded based on the decisions made during appraisal.

Implementation of this component includes execution of four sub-components:

- (i) Analysis of biodiversity conservation status
- (ii) Preparation of biological and socio-economic databases
- (iii) Monitoring of biological and socio-economic indicators
- (iv) Monitoring of area management effectiveness.

(i) Preparation of biological and socio- economic databases. Existing information will be collected and organized for each of the five project areas. Analytical tools will be developed and information will be stored in a Geographic Information System (GIS) in digital data formats and maps. Training will be provided to field staff and indigenous promoters.

(ii) Analysis of biodiversity conservation status. This sub-component will be carried out with the participation of the local population in all project areas. Through field observation, relationships between resources and local inhabitants will be determined including the economic processes resulting from these relationships. A cause-threat-effect relationship will be determined. Analysis of habitat representation and persistence of indicator species and analysis of key economic processes will be undertaken with local communities and mitigation measures proposed. Proposals will be made to modify existing policies and plans if needed.

(iii) Monitoring of biological and socio economic indicators. Activities include (i) design of

monitoring plans. Two main indicators for biological monitoring will be established (a) vegetation cover and land use analyses, and (b) flora and fauna indicator species. (ii) develop monitoring plans, (iii) train project field teams and indigenous promoters in carrying out annual monitoring (iv) implement the monitoring exercise and (v) report findings.

(iv) *Monitoring of protected area management effectiveness.* Management effectiveness will be measured by using a score card and a community evaluation worksheet, Training will be provided to field staff and indigenous promoters.

Implementation Arrangements

The preparation of databases and monitoring plans; two years of monitoring and evaluation activities; and permanent training of INRENA staff and indigenous promoters at the local and central level, will be contracted out in accordance with Bank Procurement Guidelines. Supervision will be the responsibility of the Director of the MES Unit to be established at INRENA. Contractors will prepare quarterly and annual progress reports for the duration of their contracts. Contracts will be subject to prior review and awarded on a Quality and Cost Based Selection (QCBS) basis.

Table 1: Activity Responsibility Framework

Sub Component (contracts)	Activities	Outputs	
Biological and Socio-economic databases	<ul style="list-style-type: none"> - Compile existing information - Organize biological information taxonomically - Organize information on socio-economic activities determined by area, time and community use patterns. 	<ul style="list-style-type: none"> - Compendium of existing information - Evaluation protocols, standards and analytical tools - GIS data layer formats - Fauna, flora maps - WWW site - Technical assistance and training 	<ul style="list-style-type: none"> - INRENA MES Unit - Contractors - Indigenous promoters
Biodiversity conservation status	<ul style="list-style-type: none"> - Implement Field surveys - Prepare Status report - Determine Baseline situation and indicators 	Status report and indicators	<ul style="list-style-type: none"> - INRENA MES Unit - Contractors - Indigenous promoters
Biological and Socio-economic Monitoring	<ul style="list-style-type: none"> - Measure vegetation cover and land use patterns - Monitor flora and fauna indicator species 	<ul style="list-style-type: none"> - Monitoring plan - Training and technical assistance 	<ul style="list-style-type: none"> - INRENA MES Unit - Contractors - Indigenous promoters
Area Management Monitoring	<ul style="list-style-type: none"> - Test, adjust scorecard and community evaluation worksheets already developed - Provide training in use of the scorecard and worksheet - Apply methodology on an annual basis 	<ul style="list-style-type: none"> - Score cards and worksheets tested and implemented in five project areas annually. 	<ul style="list-style-type: none"> - INRENA M&E Unit - Contractors - Field Teams - Indigenous promoters

Additional Annex No.: 12

Social Characteristics and Biodiversity Situation of Project Areas

This document presents social and biological information on the proposed El Sira Reserved Zone and the Gueppi, Purus and Santiago-Comaina Reserved Zones and the Pacaya-Samiria National Reserve. It also includes information on biodiversity threats in each area.

El Sira (proposed Reserved Zone)

The proposed El Sira Reserved Zone is located within three departments of the Amazon region of Peru (Pasco, Huanuco and Ucayali). The proposed reserve would cover an area of 600,000 hectares. Since 1975 indigenous communities have suggested the creation of a Communal Reserve in the area. Technical studies, which have been prepared, need to be updated and brought to INRENA attention. The proposed Reserved Zone can be reached from Pucallpa by following the Ucayali River reaching the provincial capital of Atalaya.

Social Characteristics There are two distinct types of area inhabitants with particular differences in terms of use of natural resources. Indigenous hunter gatherer groups (Shipibo-Conbibo, Ashanika and Yanasha) established in 128 communities along the Ucayali, Unini, Pichis and Pachitea rivers who maintain traditional cultural values and colonizers involved in agricultural production, forestry and fishing activities. The population has been estimated to include 22,202 inhabitants of which 82 percent are considered indigenous. Economic activities are more intense in areas close to urban centers such as Pucallpa while fishing is the main activity in the Ucayali River. In the Pichis and Pachitea areas, forest extraction is predominant.

Biodiversity characteristics. Pristine forests characterize the area. There are several tree species of biodiversity importance, orchids and medicinal plants, There are 299 bird species, 124 mammals, 140 reptiles and 109 fish species. Gold exploration in the Lupapichis and Negro rivers threaten the proposed area. Intensive fishing and the use of toxins in the Pachitea river and the construction of a road through the San Matias-San Carlos Protected Forest are also considered threats to the biodiversity of the area.

Gueppi Reserved Zone

The Gueppi Reserved Zone was established in March 1997 and covers an area of 625,971 hectares. It is situated in Santa Clotilde district of Maynas province in the department of Loreto. This reserve borders protected areas in Ecuador (Cuyabeno) and Colombia (La Paya). Access to the area is difficult. It can be reached by boat using the Putumayo River from Puerto Asis and Puerto Leguizamo. Road infrastructure is limited to trails linking river margin communities. Air transportation is restricted to one flight a week from Iquitos to El Estrecho. The Peruvian Army is presently constructing a new airport in Gueppi.

Social Characteristics. Quichua, Huitoto and Secoya indigenous groups inhabit the area. There are 22 rural human settlements with an estimated population of 2,250 inhabitants. Settlements are situated in the right margin of the Putumayo river and its three tributaries: Peneya, Yaricaya and Angustilla rivers. There are also four military posts in the Lagartococha and Aguarico rivers. It is estimated that there are 677 Quichua individuals while the Huitototo and Secoya groups represent 100 and 425 individuals respectively. The Quicha are established in the Puerto Lupita, Miraflores, Puerto Velez, Puerto Argelia, Ipiranga and Angustilla settlements. Huitotos are settled in the Santa Teresita del Rio Penaya hamlet and the Secoya in Zambelin de Yaricaya and Mashunta on the Angustilla river.

Biodiversity characteristics. There are 50 flora species of economic importance mainly along river margins. There is a record number of fish species (112 species) in the lower basin of the Napo River. There are also 17 primate species and 560 bird species. The following tree species are considered threatened: cedro (*Cedrela odorata*), caoba, (*Swietenia macrophylla*), lupuna (*Chorisia insignis*) and tornillo (*Cedrelinga cateniformis*). Existing fauna is also threatened among them the black lizard (*Caiman niger*) and boa (*Boa*

constrictor). Biodiversity in the area is threatened by selective extraction of tree species, indiscriminate hunting and overfishing.

Purus Reserved Zone

The Purus Reserved Zone was established in July 2000. It is located in Purus province of the department of Ucayali and parts of the Madre de Dios province. It covers an area of 5 101 945 hectares. The Reserved Zone can be reached by air once a week. The most important airstrip is located in Puerto Esperanza.

Social Characteristics. The population of the area is estimated to be 3,600 inhabitants of which 75 percent are indigenous. An estimated 40 indigenous communities of Cashinaguas, Sharanahuas, Culinas, Mastanahuas, Amahuacas, Ashanikas and Chaninahuas are settled along the Purus and Curanja rivers. There is also evidence of a non-contacted groups identified as Mashcos inhabiting an area of approximately 769 000 hectares. A group of approximately 130 colonizer families are settled in the Mi Peru and Palestina hamlets and the provincial capital of Puerto Esperanza.

Biodiversity Characteristics. Identified species include 132 mammals, Threatened species include 5 bird species 22 mammals and seven reptiles. Biodiversity is being threatened by the use of toxins for fishing and indiscriminate forestry extraction. .

Santiago-Comaina Reserved Zone

The Santiago-Comaina Reserved Zone was established in January 1999 with an area of 863,277 hectares It is located in the province of Condorcanqui, Imaza district of Bagua province of the department of Amazonas and Morona district Alto Marañón province of the department of Loreto. The Reserved Zone can be reached by boat using the Marañón, Santiago and Cenepa Rivers, by air using the Ciro Alegria and Puerto Galilea airports. The road network includes a road following the northern Peruvian oil pipeline and the Olmos-Corral Quemado-Mesones road

Social characteristics. Aguaruna and Huambisa indigenous communities inhabit areas along the Comaina, Cenepa, Santiago and Marañón rivers in the Cenepa and Rio Santiago districts of Condorcanqui province of the Amazon department. The population of Condorcanqui province is estimated in 30 520 inhabitants

Biodiversity charactersitics. The following flora species are considered vulnerable: huasai, (*Euterpe precatoria*) ungurahui, (*Oenocarpus botaua*), yarina, *Phytelephas macrocarpa*) shiringa, (*Hevea spp*) uña de gato (*Uncaria spp*) shimbillo (*Inga sp*).

Pacaya-Samiria National Reserve

The Pacaya-Samiria National Reserve was established in 1982. It is located in the department of Loreto and cover an area of 2'080,000 hectares.

Social characteristics. indigenous communities of the Cocama-Cocamilla group inhabit the Reserve. The other indigenous group is composed of Shipibo-Conibo. There are 203 human settlements within de borders of the Reserve with an estimated population of 92 000 inhabitants. There are 24 indigenous communities. A considerable number of migrants from Yurimaguas and Pucallpa have also settled in the area.

Biodiversity Characteristics. The Reserve is characterized by its rich biodiversity. There are 330 bird species, 79 mammals, 40 reptiles and 55 fish species. The area of the Reserve has been subject to direct use including rubber production, livestock breeding and forestry activities. According to the CDC there are 8 species in critical situation and 5 considered threatened. Among the fauna species: the black lizard (*Caiman niger*), manati, (*Trichechus inunguis*) red guacamayo (*Ara macao*). The threatened flora species include oje

(*Ficus insipida*) cedro (*Cedrela odorata*), tornillo (*Cedrelinga catenaeformis*). The main threat to the Reserve is intense population pressure on existing resources and oil exploration.

**Additional
Annex No.: 13**

Social Assessment and Public Participation Analysis

Objectives and methodology

The main objective of the social assessment and public participation analysis was to determine the social conditions of indigenous communities in the selected project areas and to establish institutional, economic and area management perceptions as well as the possible economic use of natural resources in selected areas. The consultation process was carried out using several methodologies including: (i) field surveys; (ii) workshops and (iii) field reconnaissance. Table 1 below provides information on the areas in which the workshops and assessments were carried out.

Table 1 Consultation Activities

Methods	Area	Communities/Areas
Field Surveys	El Sira Gueppi Purus Santiago-Comaina	50 communities 22 communities 42 communities 56 communities
Workshops	El Sira Gueppi Purus Santiago-Comaina	3 workshops (Nueva Italia, Puerto Bermudez and Pucallpa) 2 workshops (Soplin Vargas and Nueva Angusilla) 2 workshops in Puerto Esperanza 4 workshops Marañon, Cenepa, Santiago and Morona
Field reconnaissance	El Sira Gueppi Purus Santiago-Comaina	Putumayo River basin Penaya River basin Puris River basin Tuntanai and Campanquiz mountain ranges

Key Findings and Recommendations

There are a number of findings, which are common to all project areas. A Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis was carried out during the social assessment process. The analysis indicated that communities have the following strengths:

- (i) They are organized and maintain their cultural values and identities. Although many communities are

under severe outside pressures, they have umbrella organizations such as the Interethnic Association for the Peruvian Rain Forest (AIDESEP) and the National Confederation of Amazonian Nations of Peru (CONAP) who adequately represent them;

(ii) They have an understanding of the potential use of natural resources and possess traditional knowledge of the uses of flora and fauna resources;

(iii) Existence of abundant resources mainly in aquatic ecosystems

(iv) There is an understanding of indigenous people's rights although, this knowledge is presently held by traditional leaders.

Participants in social assessment workshops identified the following weaknesses:

(i) Weak organizational structures at the community level requiring training in participatory methodologies and democratic processes

(ii) Poor health conditions with high levels of morbidity

(iii) Limited availability of energy sources and poor transportation networks

(iv) Lack of management plans to allow for economic development activities

(v) Insufficient knowledge and understanding of market development and conditions for economic development

Participants concluded that there are several opportunities for their development. They concluded that there is a growing demand for natural products and a favorable international and legal framework, which would allow indigenous groups to further their economic development. Economic development projects could run into difficulties because of limited volumes for demanding markets. It was stated that in order to succeed project interventions should be highly participatory and be based on traditional knowledge and customs. The presence of colonists and drug traffickers is important in Gueppi and Santiago Comaina and pose a threat to the sustainable use of biodiversity natural resources.

Table 2 below summarizes main findings related to the potential economic activities which could be undertaken in given areas as well as the recommendations made concerning the status of project areas.

Table 2 Specific Findings and Recommendations by Area

Area	Findings	Recommendations
El Sira	Economic development potential in eco tourism, medicinal plants and management and breeding of wild fauna.	Limit threats caused by gold mining and building of the Tahuania road
Gueppi	Economic development potential in the production of camu camu (<i>Myrciaria dubia</i>)	Establish a definite protection category for the present Reserved Zone Expand the present Reserved Zone to include areas of the Siona-Secoya indigenous communities
Purus	Economic development potential of handicrafts, medicinal plants, captive breeding of wild fauna	Take into account rights of the Mascho-Piro non-contacted indigenous groups incorporating new areas.

Santiago Comaina	Economic development potential in reforestation, medicinal plants, handicrafts, captive breeding of sajino, venado and Sachavaca (xxxx)	Further the establishment of a Biosph Reserve and duplicate the present Reserved Zone Area
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**Additional
Annex No.: 14**

Project Implementation Plan

Project Duration (in months): 60	6	12	18	24	30	36	42	48
Project Components & Subcomponents	Year 1		Year 2		Year 3		Year 4	
1. Participatory Biodiversity Conservation								
1.1 Creation and Categorization of Protected Areas								
a) Preparation of planning documents and implementation of the consultative process	x	x	x	x	x	x		
b) Drafting of administrative resolutions and legislative decrees		x	x	x	x	x	x	x
1.2 Strengthening Participatory Mechanisms								
a) Establishment and Strengthening of Protected Areas Management Committees (PAMC)	x	x	x	x	x	x	x	x
b) Creation of Community Based and Management Protected Areas Surveillance System (PASS)	x	x	x	x	x	x	x	x
1.3 Indigenous Training in Participatory Mechanisms	x	x	x	x	x	x		
1.4 Public Awareness Program		x	x	x	x	x	x	x
1.5. Provide Infrastructure Protected Areas	x	x						
1.6 Field Project Team	x	x	x	x	x	x	x	x
2. Sustainable Uses of Biodiversity								
2.1 Management Plans for Titled Indigenous Lands								
2.2 Communal Natural Resource Concession Contracts			x	x	x	x		
2.3 Demand and Market Studies	x	x						
2.4 Biodiversity Sub grant Investments								

(a) Pre-investment			x	x				
(b) Investment			x	x	x	x	x	x
(c) Technical Assistance			x	x	x	x	x	x
3. Monitoring and Evaluation								
3.1 Biological and Socio Economic Baselines and Data Bases	x	x	x	x				
3.2 Biological and Socio Economic Monitoring			x	x	x	x	x	x
3.3 Area Management Monitoring		x	x	x	x	x	x	x
3.4 Training, Technical Assistance and Operational Support		x	x	x	x	x	x	x
4. Project Implementation								
4.1 Project Coordinating Committee	x	x	x	x	x	x	x	x
4.2 Central Project Team	x	x	x	x	x	x	x	x
4.3 Technical Assistance	x	x	x	x	x	x	x	x

