



Ref #: GEFSEC-N-2000-00177

PROJECT MANAGEMENT FOR GEFSEC

Incoming Correspondence Log

Official Use Only

Due Date:

06/09/2000

FOR ACTION: Mario A. Ramos

STATUS: Open

**Project Name: Strengthening Biodiversity Conservation and Protected Area Management Project
(revised)**

VPU/Dept/Div: GEF Room : G 6-029 Telephone: 473-3297	Date Logged: 06/05/2000 10:57:24 AM Logged By: Ramon Prudencio C. De Mesa (GEF)
--	--

CORRESPONDENCE DESCRIPTION:

From: Christina Kimes Organization: WB Reference #: To: Mr. Keneth King Dated: 06/02/2000 Type: OP3 Subject: PDF B: Peru: Strengthening Biodiversity Conservation and Protected Area Management Project (revised)
--

ACTION INSTRUCTIONS:

<i>Please review and/or technical comments</i> Note: electronic file attached
--

INFORMATION COPIES:

Julie Anne Waller/Person/World Bank



Christine E. Kimes
06/02/2000 06:39 PM

Subject: A new submission from the World Bank

Please find below the indicated submission(s) for your information and/or action.

Date: 06/02/2000

Name: Christine E. Kimes

Region: LCR

Country: Peru

Project Title: Strengthening Biodiversity Conservation and Protected Area Management Project (PROFONANPE II)

Focal Area: Biodiversity

Type: PDFB/C - CEO Endorsement (if resubmission required)

Please find attached: (i) the final revised version of the PDF Block B request for the "Peru - Strengthening Biodiversity Conservation and Protected Area Management Project (PROFONANPE II)", which responds to comments received during the April 13 bilateral meeting, and (ii) the transmittal memo from the WB Executive Coordinator detailing where changes have been introduced in the Block B request; we hope that this will facilitate review by Secretariat Program Managers. Please let us know if you have any further questions in this regard. We look forward to hearing from you and receiving final CEO approval of the Block B request. Best regards.



PROFONANPE 2 - Final Block B.



PROFONANPE cover memo.c

CC: daryal@worldbank.org; Envyc Isc Files/Service/World Bank; FStephens@worldbank.org; htowsey@worldbank.org; gcoordination@worldbank.org; kking@worldbank.org; rkhanna2@worldbank.org; Kathy MacKinnon; Gonzalo Castro; cmonge@worldbank.org; vweiner@worldbank.org

To: Gcoordination@Worldbank.Org

OFFICE MEMORANDUM

DATE: June 2, 2000

TO: Kenneth King, Assistant CEO, GEF
Attn: GEF Program Coordination

FROM: Lars Vidaeus, Executive Coordinator, ENV

EXTENSION: 34188

SUBJECT: **PERU - Strengthening Biodiversity Conservation and Protected Area Management (PROFONANPE II): Submission of revised PDF Block B Request**

Please find attached the revised version of the PDF Block B Request for preparation of the above-mentioned project which we are submitting for final CEO approval.

This version addresses comments made by the GEF Secretariat during the bilateral review process, in particular, those issues flagged in the "Further Processing" section of the Project Review Sheets.

To assist program management staff review of the revised proposal, please note the following changes and/or additions in the text:

1. PROFONANPE's impact on the ground : please see paragraphs 6 through 13, including Table 1.
2. PROFONANPE's role vis-à-vis additional in-situ conservation activities: paragraphs 17 through 20. *how it will contribute to the project in the field.*
3. PROFONANPE institutional issues: paragraphs 21 and 22.
4. PROFONANPE financial performance and innovations: paragraphs 14 through 16.
5. GEF portfolio support for Peru: paragraphs 74 through 78, including Table 5.
6. Further capitalization of the Trust Fund: paragraphs 59 and 94 (a) (v).

We hope that this new version responds in a satisfactory manner to the comments and suggestions put forward by the GEF-Secretariat. Please let us know if you have any further questions. We look forward to receiving the CEO approval of the PDF Block B so that we may initiate project preparation. Best regards.

cc: Messrs./Mmes. Serra, Werbrouck, Lovejoy, Kimes, Monge (LCSES); Iwase, Weiner (LC6); Castro, Aryal (ENV); IRIS2; ENVGC ISC.

**GLOBAL ENVIRONMENT FACILITY
PROPOSAL FOR PROJECT DEVELOPMENT FUNDS (PDF)
BLOCK B GRANT**

Country:	Peru
GEF Focal Area:	Biodiversity
Project Title:	Strengthening Biodiversity Conservation and Protected Area Management Through Increased Civil Society and Private Sector Participation
Requesting Agency:	World Bank
Executing Agency:	PROFONANPE
Total Project Cost:	US\$ 32.0 million
Financing Plan:	US\$ 15.0 million (GEF) US\$ 1.5 million (Government of Peru counterpart) US\$ 8.5 million (Bilateral Cooperation) US\$ 6.0 million (Local Implementing Institutions) US\$ 1.0 million (Local Beneficiaries)
Project Duration:	6 years
Preparation Costs:	US\$ 479,000
PDF Block B Funds Requested:	US\$ 347,800
PDF Co-Funding:	US\$ 60,000 (PROFONANPE) US\$ 40,000 (MacArthur Foundation) US\$ 20,000 (Government of Peru) US\$ 17,000 (Bilateral Cooperation)
Block A Grant Awarded:	No

Project Objectives and Background

1. The goal of the project would be to insure biodiversity conservation by increasing the involvement of civil society institutions and the private sector in the planning, management, and sustainable use of protected areas and resources within the Peruvian System of Natural Protected Areas (SINANPE).
2. Specific project objectives include: (i) assisting INRENA and civil society institutions in implementing the participatory opportunities set out in the SINANPE Master Plan, and (ii) providing for a funding mechanism to civil society institutions and private sector organizations in undertaking planning and management of protected areas and sustainable economic activities when possible.
3. The project will build on the experience gained during a Pilot Phase GEF grant to the Peruvian Trust Fund for Protected Areas (PROFONANPE). The initial GEF grant supported the establishment of PROFONANPE and the development of its capacity to generate resources through the financial administration of its trust fund and by attracting fresh resources from other funding agencies. On the basis of the trust fund and other projects, PROFONANPE has been able to ensure regular and long term funding of the basic operational costs of ten protected areas, and

investments in six of them. Enhanced biodiversity conservation and management was achieved mainly through activities carried out by the responsible government agency, the National Natural Resources Institute (INRENA), and also through funds transferred to NGOs and other local institutions.

4. An independent evaluation conducted at the completion of the Pilot Phase project rated project performance as satisfactory. (A summary of the independent evaluation findings is contained in Annex 1, and the full report is available upon request.) The evaluation concluded that –parallel to carry on strengthening INRENA’s capacities to provide basic attention to the country’s natural protected areas- it is now necessary to expand the number of actors involved in the management of protected areas and who can benefit from PROFONANPE resources. These needs are in line with a policy context signaled by the need to consolidate the SINANPE as a system, including its private and civil sector actors.
5. Based on these conclusions and in-country discussions of how to strengthen the conservation effort (see Strategic Approach section, below), the Peruvian authorities have therefore decided to consolidate PROFONANPE as the financial arm of SINANPE, and to expand the range of eligible activities for PROFONANPE funding. The project proposed for GEF support is consistent with this approach, and aims at deepening the capacity of PROFONANPE to involve the private sector and civil society institutions, along with INRENA, in participating in the implementation of the recently approved Master Plan for the System of Protected Areas of Peru.

PROFONANPE’s Operational Impact

6. Given the limited amount of time elapsed since PROFONANPE’s establishment and the difficulty to isolate the effect of other variables, such as natural populations decline, climate factors, etc, the direct impact of institutional support on biodiversity conservation cannot be clearly traced yet. However, there is a clear impact on the level of management of the protected areas that have received financial support from PROFONANPE, as the “Matrix for Evaluation of the Capacity for Management of SINANPE” (a matrix developed/financed by USAID) has demonstrated. This matrix provides a basis for a quantification of NPA management capacity, based on ratings in relation to a number of key indicators, including legal framework, administrative resources (personnel, infrastructure, equipment, finance), mechanisms for preparing and implementing management plans (including assessment of degree of stakeholder participation), ecological monitoring programs, mechanisms for sustainable natural resource use, and mechanisms for management of conflicts relating to competing development objectives (e.g. mining or diversion of water resources for upstream irrigation schemes).
7. According to the matrix, between 1996 and 1998, all the areas of the sample that received financial support from PROFONANPE experienced an improvement in their management capacities. Although not yet available, a new test of the matrix for the year 1999 shows additional improvement in the management capacities of the protected areas that have received financial support from PROFONANPE. The following table shows the 1996 and 1998 results for a group of the protected areas of the sample that received support from PROFONANPE.

Table 1: Results of the Matrix for Selected Areas, 1996 - 1998

Name	Score 1996	Score 1998	Change
Cerros de Amotape National Park	57.18	69.02	20.71
Rio Abiseo National Park	64.23	74.32	15.71
Huacahuasi National Park	57.03	59.32	4.02
Manu National Park	65.00	68.22	4.95
Machu Picchu Historical Sanctuary	32.69	51.97	58.98
Pacaya-Samiria National Reserve	40.78	49.39	21.11
Paracas National Reserve	61.43	70.26	14.37
Salinas y Aguada Blanca National Reserve	10.48	37.61	258.87
Titicaca National Reserve	72.93	76.08	4.32

Source: Vásquez, Pedro G. "Matrix for Evaluation of the Capacity of Management of SINANPE - 1998".

8. As can be seen, in the case of Salinas y Aguada Blanca National Reserve the financial support of PROFONANPE has been fundamental for the development of a minimum level of in-situ conservation capacities. Though the present management capacities of the area are still far from the ideal, there is a notable improvement in the conditions that allowed the attraction of additional funds for the area from the Spanish Technical Cooperation, oriented to the development of natural resources management activities with communities. In the case of the Machu Picchu Historical Sanctuary, major constraints regarding institutional relations, personnel training, scientific information, financial sustainability, etc, that made difficult the effective management of the area have been partially solved with the support of PROFONANPE via the Machu Picchu Program.
9. In all, nine protected areas have received financial support for a period of four years, allowing a basic level of management of such areas. PROFONANPE's support has given priority to the development of management capacities in key areas of SINANPE, with the idea of investing first in those areas with potential to become partially self-sustainable to gradually move to those protected areas that have less possibilities to generate its own financial resources.
10. PROFONANPE's support has provided sustainability to activities and processes initiated by NGO's in several protected areas and allowed INRENA to extent its presence in areas where there were not enough resources to ensure it. At present PROFONANPE provides funding for the contract of more than 120 field professionals in 11 protected areas. Some these areas received limited budgets prior to PROFONANPE's support, including areas of global importance such as Manu National Park; Machu Picchu Historical Sanctuary and Pacaya-Samiria and Paracas National Reserves.
11. PROFONANPE has supported activities such as legal registration, physical demarcation and land titling in 11 protected areas (Cerros de Amotape, Huascarán, Manu and Rio Abiseo National Parks; Paracas and Titicaca National Reserves among others). Some of these areas were not able to do it before, because of financial constraints.

12. In the case of Rio Abiseo, PROFONANPE's support has allowed the area to finally have the baseline studies needed to proceed to the drafting of its Master Plan, allowing its sound future management. This is of key importance given that to date, the Park does not have a management document since its establishment.
13. On the side of financial sustainability, at present two protected areas (Machu Picchu Historical Sanctuary and Alto Mayo Protection Forest) count with earmarked endowments to assure a permanent flow of financial resources for their administration. There is also an additional endowment fund that will support the development of technical and enforcement capacities within INRENA for biodiversity conservation and management.

PROFONANPE Financial Performance

14. The US\$ 5.2 million granted by GEF in 1995, allowed the institution to attract additional resources for US\$ 22 million using different financial mechanisms. The initial benchmark of having a single trust fund with a minimum level of resources of US\$ 40 million after five years turned out to be overestimated. The main constraint has been the difficulty to find other donors willing to provide financial resources to the original endowment fund or to allow the administration of those resources under a permanent and intangible fund mechanism, mostly because of legal, administrative or other limitations. In response, PROFONANPE has developed innovative financial mechanisms such as the capitalization of the interests of some of its sinking funds into earmarked endowment funds aimed at the provision of financial sustainability after the completion of project activities. By using this mechanism, PROFONANPE now counts with an endowment fund for the Machu Picchu Historical Sanctuary for an amount of US\$ 1.6 million and expects to have another US\$ 2.5 million after the implementation of two new projects to be financed via debt-for-nature swaps with the German cooperation.
15. The present amount of funds under the endowment mechanism reaches to US\$ 7.5 million, distributed in three different endowments. The approval of the Portman Tropical Forest Conservation Act opens new opportunities for debt-for-nature swaps. Peru has a potential convertible debt of US\$ 450 million and is included in the first list of eligible countries. Discussions with the Peruvian Ministry of Economy and Finance and TNC had taken place and are going to be deepened in the near future.
16. PROFONANPE has developed a first draft for a fund-raising strategy, including the use of new financial mechanisms. Guidelines include the following options: debt-for-nature swaps, grants and concessional funding, technical assistance, sale of products and publications, membership contributions, program related investments, equity investments, credit facilities and revolving funds, fees for services, revenues from environmental goods and services (direct use of protected areas and indirect use of protected areas goods and services) and global environmental goods and services (climate change related transactions and biodiversity markets). The establishment of resource use fees in Peru is currently being discussed as part of the Reglamento of the Natural Protected Areas Law. The possibility of using these fees

or part of them as a way to increase PROFONANPE's trust fund is still an issue to be discussed. In the case of using financial innovations in the context of the Climate Change Framework Convention it is still not clear how PROFONANPE can have access to these resources, given that the Peruvian policy on this issue is still to be defined. Alternative sources of funds such as "green credit cards" are being explored and discussed with PROFONANPE's asset managers.

PROFONANPE Role

17. PROFONANPE has a clearly defined field of action focused on in-situ conservation and natural resources management within protected areas and their buffer zones. Its role as a key player in Peruvian biodiversity conservation is developed within this framework. As a result of this institutional mission, the impact of PROFONANPE's activities on the broader landscape of biodiversity conservation can be seen as indirect, but is in all cases very important. One good example is a recently negotiated long-term project (a 10 years debt-for-nature swap operation) aimed at the implementation of a biodiversity conservation plan in the buffer zones of Alto Mayo Protection Forest. In this case the objectives are addressed to both mitigate threats on the Protection Forest and particularly to implement biodiversity conservation activities by indigenous populations to tackle the potential impacts of a road system to be established in the region.
18. In general terms, during its existence PROFONANPE has assured financial resources to directly support protected area management, which is the most effective mechanism to conserve biodiversity. To date PROFONANPE has assured long-term and stable financial support for 10 protected areas of global critical importance.
19. Another contribution of PROFONANPE to the effort of environmental protection in general and biodiversity conservation in particular, is the fact that it has been a test-site for financial mechanisms that could be applied in future projects, both of PROFONANPE and other institutions. Key for this will be the coordination with the two new Peruvian environmental funds: The Fondo de las Americas (currently initiating its activities) and the Fondo Nacional del Ambiente (currently in advanced establishment process and negotiating financial resources for an alternative fuel project).
20. PROFONANPE has also made possible the attraction of additional financial resources from the government via debt-for-nature swaps, becoming a direct "lobbyist" for the protected areas system. Without the existence and direct action of PROFONANPE these resources could have been allocated to support other sector projects.

Institutional Issues

21. As part of its own evolution and that of environmental institutions as a whole, PROFONANPE has been constantly pressed to assume certain project implementing responsibilities. Such was the case of the 1996-1998 years when - in response to

INRENA's request- PROFONANPE assumed the direct implementation of its Recurrent Cost Program. The fact that INRENA and PROFONANPE started to share implementing responsibilities in the field created a scenario that contained a potential for authority conflicts. Nevertheless, as a result of INRENA developing new administration capacities, such implementing responsibilities were shifted back to INRENA. The World Bank PROFONANPE's Final Supervision Aide Memoire – of December of 1999- states that the arrangement is now working in a satisfactory manner.

22. Also, during 1998 PROFONANPE worked out with the Peruvian government the modification of the public sector representation in its Board. Originally, three delegates of the Ministry of Agriculture represented the State. As a result of the new arrangement, a new and more plural representation in terms of public institutions and views was put in place, now also including the Ministries of Economy and Finance and of the Presidency.

Biodiversity Importance of Peru

23. Peru is one of the most important countries on the planet from the perspective of biodiversity. It is considered one of the top ten megadiverse countries, and holds world records such as number of butterfly species, orchids, life zones, and endemic invertebrates. Peru contains a large fraction of the Amazon rainforest, the largest continuous forest on the planet, which includes 40 percent of all remaining tropical forests of the world. It also includes an important portion of the South American High Andes and coastal deserts, and has a 2000-kilometer coastal line. The fact that Peru is one of the most important repositories of biological diversity on earth is undisputed, containing a very rich biodiversity expressed in terms of unique species, high levels of endemism, and habitat diversity.
24. By supporting the consolidation of the System of Protected Areas of Peru, the project will help conserve a large portion of the planet's biological heritage.

Strategic Approach to Biodiversity Conservation

25. The Government of Peru has developed a comprehensive policy framework to conserve this biodiversity, as expressed in the Environment Code (1992), the signature of the Biodiversity Convention (1992), the revised National Constitution (1993), the Biodiversity Law (1997), the Protected Areas Law (1997), the Master Plan for the System of Protected Areas (1999), and other important and complementary pieces of legislation. A draft national biodiversity strategy has been prepared and a participatory consultation process has been launched to establish a national consensus. These very recent and important developments signal the emergence of an environmental consciousness in the 1990s that build on important efforts undertaken in the previous decades.
26. In terms of institutional building, the creation of the National Environmental Council (Consejo Nacional del Ambiente - CONAM) in 1994 attempted to establish a national environmental authority, having among its most important functions that of coordinating a national environmental policy. In this line of work CONAM has

been working with different components of the public administration to define and put into practice concrete sectoral regulations. In more recent times, CONAM has launched an effort to establish the Regional Environmental Commissions (Comisiones Ambientales Regionales - CAR), in which local authorities, the private sector and civil society at the regional level can have a say on environmental matters and policies.

27. Despite progress made in terms of national regulations and institutions, most local institutions lack the capacity to put into practice the already established mandates. In many cases, the key issue is not that regulations are insufficient or that the policies defined by national institutions are incorrect, but that at the local level there is a lack of awareness and institutional capacity of both the public and private sectors to assure their implementation.
28. The GoP's approval of the SINANPE Master Plan is one of the critical environmental measures adopted in the last decade. The purpose of SINANPE is to contribute to the country's sustainable development through conservation of a significant sample of biological diversity, by managing protected areas efficiently and guaranteeing that environmental, social, and economic benefits accrue to society at large. The recently approved Master Plan indicates that SINANPE encompasses two main components, a physical component which includes all protected areas regardless of their management categories and a social component which incorporates all stakeholders from civil society and government. The Plan has been prepared through a substantial process of consultation with civil society and the academic sector, and has generated a broad consensus and a spirit of collaboration among all stakeholders around its implementation.
29. The Master Plan has eight strategic objectives: (i) consolidating an inter-institutional coordination and guidance mechanism; (ii) consolidating the institutional capacity of the system and its national authority; (iii) consolidating the legal framework of SINANPE; (iv) ensuring funding for development of the system; (v) providing adequate human resources for system administration; (vi) consolidating technical and management instruments for system operation; (vii) developing mutually beneficial relations between the local population and protected area administrations and; (viii) increasing public understanding of the direct links between the protected areas and national development.
30. The Master Plan contains a participatory objective which includes a number of activities, such as: (i) strengthening relations between the local population and the management administration of the areas; (ii) implementing coordination and participation activities; (iii) training local populations, (iv) furthering institutional development and building local capacities; (v) training area administrators in social issues relevant to local inhabitants; (vi) preparing projects and research studies aimed at integrating local groups in area development; (vii) strengthening local participation in productive activities within the areas, and (viii) undertaking clearance and delimitation of legal and physical issues, including land titling and title registration.

31. INRENA is responsible for managing and administering SINANPE and of implementing, monitoring, and evaluating the Master Plan by the use of participatory mechanisms. An Area Chief supported by a Protected Area Management Committee (PAMC), heads each protected area. PAMCs are composed of representatives from the private and public sector, representatives from regional and local governments, agricultural sector authorities, local populations, universities and academic institutions, organizations, and legally recognized users of protected areas.
32. The Supreme Decree containing the Master Plan states that overall guidance for implementation of the Master Plan is the responsibility of a Coordinating Council composed of: a representative of INRENA, who will preside it; the National Environmental Council (CONAM); the National Tourism Directorate of the Ministry of Industry, Tourism, Integration and International Commercial Negotiations; regional governments; the Peruvian Amazon Research Institute (IIAP); the PAMCs; public and private universities; non-governmental organizations (NGOs), and private sector organizations. This Coordinating Council is still to be convened.
33. The Plan has further defined protected areas by establishing levels, categories and zones. It establishes:
34. Four levels: (i) national conservation area; (ii) regional conservation area; (iii) municipal conservation area and (iv) private conservation area.
35. Nine categories: (i) National Parks (IUCN Category – II National Park); (ii) National Sanctuaries (IUCN Category – III Natural Monument/IV Wildlife Sanctuary), (iii) Historical Sanctuaries (IUCN Category – III Natural Monument/V Protected Landscape); (iv) Landscape Reserves (IUCN Category – V Protected Landscape), (v) Wildlife Refugees (IUCN Category – III Wildlife Sanctuary); (vi) National Reserves (IUCN Category – I Strict Nature Reserve/IV Managed Nature Reserve), (vii) Communal Reserves (IUCN Category – VIII Managed Resources Area) (viii) Protected Forests (IUCN Category – VII/VIII Managed Resources Area) and (ix) Hunting preserves (IUCN Category – VIII Managed Resources Area).
36. Seven zones: (i) strictly protected zone; (ii) wildlife zone; (iii) tourism and recreational zone; (iv) direct usage zone; (v) rehabilitation zone; (vi) historical and cultural zone.
37. The Master Plan gives PAMCs the responsibility to set out in conjunction with INRENA the actual management plans establishing a number of general guidelines for area management. These guidelines refer specifically to the participation of the local population in their management. The need to sensitize local populations and assist them in developing their organizational capabilities is an important element of the Plan. PAMCs should consider: (i) respecting the legitimate rights of the local population in area management; (ii) providing effective and full participation in the management and development of the areas through the area management mechanisms and service contracts for the use of renewable natural resources; (iii) taking into account the economic, social and cultural situations of local populations;

(vi) establishing protection and conservation of the activities already undertaken by local populations; (vii) protecting the cultural heritage of local populations; (viii) identifying alternative sustainable uses for natural resources as a contribution to local economies; (ix) integrating traditional knowledge, local land tenure systems, and customary use of natural resources; (x) executing rural development projects in the areas and their buffer zones and; (xi) incorporating an indigenous people dimension.

38. The Plan considers it key to join the concepts of development and conservation among local populations in order for them to receive economic benefits. Local populations that share conservation responsibilities would be able to reap possible benefits from the sustainable use of area resources. The Plan also recognizes that it is necessary to take into account the limits imposed in obtaining benefits while maintaining equilibrium between conservation priorities and the interest of local populations. It underlines the need to identify clearly property rights and spatial use patterns indicating that solving land tenure issues and registering areas in the public registry is essential. It requires establishing buffer zones and promoting agreements with local groups who now inhabit these areas for development of activities, which are compatible with prevalent conditions. It further requires establishing a quota system for the use of natural resources in the protected areas and the use of a registration system as a pre-requisite for a population census and resource inventories.

National Priorities and National Level Support

39. Conservation of biological diversity is mandated by the Political Constitution of Peru (art. 68) and is considered a national priority in various legal instruments, including the Environmental Code, the Law on Conservation and Sustainable Use of Biological Diversity, the Forestry and Wildlife Law, the Protected Areas Law, the Native Communities Law and the 169 International Labor Organization Agreement concerning indigenous and tribal peoples in independent countries ratified by Peru through Legislative Resolution 26253 now in effect.

40. The 1993 Political Constitution of Peru, the Protected Area Law (Law 26834, 1997), the Law on Conservation and Sustainable Use of Biological Diversity (Law 26839, 1997) have established among other things that the State:

- Promotes biodiversity conservation through the establishment of a representative and ecological sustainable National System of Protected Areas.
- Gives priority to actions promoting the conservation of ecosystems, species and genes acquired through indigenous knowledge and practices.
- Promotes the adoption of the integrated management of land, forest and water resources
- Promotes the use of appropriate technologies and sustainable development practices.
- Promotes the establishment and implementation of mechanisms to preserve biological diversity *in situ* in order to ensure conservation of ecosystems,

species and genes in their original setting and to promote their sustainable use.

41. Peru has ratified the Convention on Biological Diversity (Legislative Resolution 26182), whereby the State (art. 8) should establish the necessary conditions to harmonize present use with biodiversity conservation. In this sense the State respects, preserves and maintains the knowledge, innovations and practices of rural and indigenous communities. The State will also protect and sponsor the customary use of biological resources whenever these are consistent with the requirements of sustainable use and conservation. Drawing on this Convention and on the Rio de Janeiro Declaration, the State acknowledges that local populations play a fundamental role in the adequate zoning of the environment based on their knowledge and traditional practices.
42. Law 26834 on Natural Protected Areas allows for leasing contracts for the administration and use of these areas and the development of projects for those holding title to such lands, joint management mechanisms based on the participation of civil society and the private sector.
43. During the past few years, Peru has taken a series of important steps towards consolidating a modern national system of protected areas. Some of these steps have included: (i) passing the necessary legislation in support of such national system of protected areas, (ii) strengthening the management capacity in the existing protected areas, and (iii) defining and establishing new protected areas. For further details see Annex 2.
44. PROFONANPE, established with a GEF grant in July 1995, has been instrumental in the described process, including its fundraising efforts, which succeeded in covering part of the protected areas system operating costs. Some of the operating costs covered up to date have been the recurrent costs of managing the areas, the costs of preparing baseline studies, establishing and supporting the management of the buffer zones, and providing support to INRENA in order to develop new legal, economic, and social participation guidelines for the future management of SINANPE.
45. To advance Peru's progress in biodiversity conservation, specifically, in implementing and maintaining the protected areas system and implementing the Master Plan, there are a number of challenges to overcome. As explained above, a main issue that needs to be tackled is further involving civil society, especially local populations, and the private sector, as well as establishing a flow of sustainable economic, social, cultural and environmental benefits at the regional and local levels. As will be discussed later, in spite of PROFONANPE's success in raising funds, there are still limited resources available for the tasks previously mentioned, thus hampering further efforts.
46. An endorsement letter was received from CONAM (GEF Focal Point) on 29th February, 2000.

Baseline Situation

47. SINANPE now covers a total of 11.6 million hectares, distributed in 49 areas, some of which have permanent presence and enjoy some form of management. A total of 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 important support from the central government, PROFONANPE, international bilateral agencies, and NGOs.
48. Table 2 summarizes the recent evolution of selected system indicators.

Table 2: Selected Indicators of SINANPE's Recent Evolution

Year	Number of Protected Areas	Number of Protected Areas with Master Plan	Number of Areas with a Park Director	Total Park Guards
1991	39		10	60
1992	39	7	10	35
1993	39	8	10	70
1994	40	8	15	100
1995	41	8	22	120
1996	44	8 ⁽¹⁾	32	190
1997	45	8	35	220
1998	48	9	39	240
1999	49	11	39	278

(1) A new Master Plan for the Paracas National Reserve is approved, replacing the 1979 Plan. Also, Master Plans for the Junin National Reserve and the Lagunas de Mejia National Sanctuary were drafted and are ready for approval by INRENA. A new Master Plan for the Pacaya-Samiria National Reserve was also drafted, replacing the 1986 Plan and is expected to be approved during year 2000.

49. Table 3 summarizes the evolution of financial resource allocations to SINANPE.

**Table 3: Resource Allocations
(In US\$)**

Year	State Budget Allocation ⁽¹⁾	Allocation through PROFONANPE
1991	163,400	Not applicable ⁽³⁾
1992	190,000	Not applicable
1993	264,500	Not applicable
1994	331,900	Not applicable
1995	634,891	300,000 ⁽⁴⁾
1996	459,850	400,000
1997	1,829,627	1,700,000
1998	5,003,708 ⁽²⁾	2,100,000

(1) Includes all resources that directly support park management activities.

(2) Includes a large one-time buffer-zone project in the Manglares de Tumbes National Sanctuary.

(3) PROFONANPE was established in 1995.

(4) GTZ/FANPE pilot projects, tendered by PROFONANPE.

50. INRENA's strategy concerning the consolidation of SINANPE is that of providing all areas with at least a minimal capacity to administer (area director, guards, infrastructure and communications). In pursuing this strategy, INRENA appeals to a three-pronged funding strategy:
51. In the case of areas that are or can be tourist attractions (archeological patrimony, scenery, access, etc.) the strategy is to develop their capacity to generate and rely on their own incomes, on the basis of creative arrangements with the tourist industry. This is the case, for example, of Huascarán and Manu National Parks, Machu Picchu Historical Sanctuary and Pacaya-Samiria and Paracas National Reserves, among others.
52. In the case of areas that are of global biodiversity importance, the strategy is to request the cooperation of international funding agencies.
53. In all cases, but especially so in areas that lack the potential to generate their own incomes or that are of interest to international agencies, the strategy is to cover basic recurrent costs by relying basically on annual budget allocations of public resources.
54. Despite the efforts made by the public sector and increasing contributions by bilateral and multilateral agencies, overall biodiversity related funding remains insufficient. Being one of the seventeen-megadiverse countries of the world, Peru – along with Chile and Argentina- is among the Latin American countries that dedicated lesser funding to biodiversity related issues. According to the Biodiversity Support Group, between 1990 and 1997 Peru dedicated annually between US\$0.00 and US\$50.00 per square kilometer to biodiversity related funding. Only Argentina, Chile and Paraguay dedicated such small amounts per square kilometer to biodiversity funding. In the meantime, Brazil and Mexico, much larger countries, dedicated between US\$50.00 and US\$130.00 and between US\$130.00 and US\$420.00 per square kilometer, respectively to such funding.
55. While in some areas the local capacity to generate income combined with international agency funds will allow for an integral sustainable strategy that

includes public presence and private and civil society participation, for most areas – that rely mainly on public resources- INRENA will only be able to guarantee a minimal presence oriented towards prevention and control of unsustainable use of natural resources. In this scenario, biodiversity conservation will be strengthened but still remain weak in face of the increasing pressure posed by demographic, economic and social processes.

56. PROFONANPE's objectives include strengthening the Trust Fund to consolidate its capacity to continue supplying resources to cover some areas' recurrent costs, channeling international cooperation through debt swaps and specific projects, and exploring new mechanisms such as the creation of area endowments. In line with the recommendations put forward by the World Bank and independent evaluators, the goal is to strengthen civil society and private sector participation.
57. In the near future, PROFONANPE will be implementing new projects that are focused on providing basic conditions for effective management and a basic level of financial self-sustainability for natural protected areas. This is the case of the "PROMANU Project" (conservation and sustainable use in Manu), with financial support of the European Union (US\$ 8 million for 5 years), and of the PROFONANPE "Natural Areas Protection Project", with financial resources of the Kreditanstalt für Wiederaufbau (KfW) of Germany (US\$ 6 million for 5 years).
58. Additional participation of civil society and the private sector in planning and direct management of protected areas is considered necessary for long term sustainability. The legislation recently passed and current institutional approaches set the trend to an increase in the involvement of civil society. The crucial strategic next step is to accelerate this process. While PROFONANPE has succeeded in funding recurrent costs for selected protected areas, further assistance is required to involve the private sector and civil society in the preparation and implementation of management plans for the areas.

GEF Alternative

59. With GEF support, the Government of Peru would be able to: (a) continue to provide SINANPE with resources to cover recurrent costs in critical areas that are currently underserved, (b) accelerate implementation of the Master Plan for SINANPE, particularly those activities related to achieving social sustainability through increased civil society participation in protected areas management, (c) further develop management plans and management agreements to transfer responsibility to civil society and the private sector with assistance from PROFONANPE and INRENA, (d) strengthen institutional and organizational capacity of national, regional and local actors to assist them in conservation and management of the protected areas, (e) develop new projects on sustainable use of biodiversity to provide economic incentives for conservation, and (f) consolidate and extend the coverage of an impact assessment mechanism through a monitoring and evaluation (M&E) system that is to be developed -initially for 5 conservation areas- under the GEF funded "Indigenous Management of Natural Protected Areas in the Peruvian Amazon" Project implemented by INRENA. Further capitalization of the

Trust Fund is also contemplated to consolidate the protected areas management effort and ensure long-term sustainability.

60. Implementation of the project would take a two step approach: (i) assisting INRENA and civil society and private sector institutions in complying with requirements set out in the SINANPE Master Plan, and (ii) providing a funding mechanism to undertake activities in and around protected areas.
61. The Project would be implemented in 8 to 10 protected areas to be determined during the very initial phase of Block B activities. The basis for such a selection will be SINANPE's priorities for investment in natural protected areas that were identified as part of the preparation of its Director Plan.
62. The criteria for prioritization, in order of importance, were: (a) importance of biodiversity; (b) level of threat at the regional level; (c) level of impact of specific threats; (d) level of area management; (e) scenery, educational and cultural value; (f) socioeconomic importance of the area; and (g) presence of traditional human groups.
63. For the purpose of selecting target areas for this Project, PROFONANPE will also consider actual and potential levels of funding through income generation, sources of international cooperation, public resources and local institutions.
64. The 20 areas prioritized as a result of this exercise were the following:

Table 4: Priorities for Investment in Natural Protected Areas

Area	Ranking
Machu Picchu Historical Sanctuary	1
Tambopata-Candamo Reserved Zone	2
Apurimac Reserved Zone	3
Paracas National Reserve	4
Junin National Reserve	5
Manu National Park	6
Rio Abiseo National Park	7
Tumbes Reserved Zone	8
Yanachaga-Chemillen National Park	9
Huascarán National Park	10
Titicaca National Reserve	11
Tabaconas - Namballe National Sanctuary	12
Tingo Maria National Park	13
Batan Grande Reserved Zone	14
Manu Reserved Zone	15
Cutervo National Park	16
Manglares de Tumbes National Sanctuary	17
Area	Ranking
Laquipampa Reserved Zone	18
Ampay National Sanctuary	19
Pacaya-Samiria National Reserve	20

Global Benefits

65. GEF would be requested to finance the incremental costs of generating global benefits resulting from the strengthened sustainability of protected areas in critically important ecosystems.
66. These global benefits include: (i) enhanced conservation of biodiversity in key protected areas in Peru; (ii) increased local support for protected areas at key sites; (iii) support for the generation of experiences related to increased local community participation in protected areas; (iv) enhanced sustainable use of biodiversity; and (v) increased social sustainability and support for in-situ biodiversity conservation in Peru.
67. Biodiversity conservation and sustainable use requires involvement of area stakeholders. Their full participation ensures that resources would be properly managed and enhanced.

Project Activities

68. The project would include two main components: A.) The Protected Area Management Support Component, and B.) The Collaborative Environmental Management Component.

A. Protected Area Management Support Component (*Estimated Component Cost US\$ 10 million*)

The objective of this component would be to assist INRENA and other relevant actors in complying with Master Plan guidelines in selected protected areas, in order to ensure the effective management of protected areas and, where applicable, the sustainable use of natural resources and other economic activities according to existing zoning arrangements and regulations.

This component would include execution of five main activities: (i) Continue providing resources for recurrent costs as has been done under the first GEF Grant; (ii) Strengthening PAMCs and other participation mechanisms; (iii) Development of an information system for SINANPE; (iv) Development of a monitoring and evaluation system and (v) Development of a communications system for SINANPE. The project would not duplicate efforts being made by other projects under INRENA, mainly the Indigenous Management of Protected Areas in the Peruvian Amazon Project presently under appraisal.

(i) Providing Resources for Recurrent Costs: Reinforcing existing supervision and control capacities of INRENA is critical to establish the minimal conditions for participatory biodiversity conservation and protected area management. At the same time, in line with the project's general orientation, INRENA would explore new creative arrangements with local actors and institutions to implement these activities.

(ii) Strengthening of Management Committees and Other Participation

Mechanisms: The establishment and consolidation of local PAMCs is crucial for the long-term viability of conservation efforts. The SINANPE Master Plan recognizes PAMCs as the appropriate institutional mechanism to incorporate all local stakeholders in the management of local protected areas. In most cases there is the need for technical assistance to increase local awareness on laws and regulations regarding SINANPE; rights and obligations regarding local participation in protected area management; and information on sustainable alternatives for the use of local natural resources. This activity would provide such technical assistance in selected areas where an added effort is needed to establish and consolidate local PAMCs. Also as part of this component and as a result of the increased role of civil society and private sector actors in direct management, INRENA would develop its capacities for supervising concessions, administering contracts and other agreements.

(iii) Establishment of an Information System for SINANPE: The lack of a centralized information system that can be used as a tool for improved management of protected areas is still one of the problems that need to be solved in order to assure the long-term viability of SINANPE as a whole. There is considerable amount of information that has not been recorded or is dispersed among different institutions and not disseminated. Most available information is not standardized. The project would assist INRENA and civil society actors in a system that integrates information such as detailed maps, both on paper and digital; biodiversity and other resources assessments and evaluations; legal registration information and socioeconomic studies and providing this information would be widely disseminated to all stakeholders. INRENA would ensure participation of other government agencies involved in this issue such as the National Institute for Information and Statistics, the National Geographical Institute, the Ministry of Agriculture Land Titling Project and also other technical and academic institutions such as the Centro de Datos para la Conservación of the Universidad Nacional Agraria (CDC), museums and NGOs if appropriate.

(iv) Consolidation and Extended Coverage Development of a Monitoring and Evaluation System: In recent years, several efforts had being undertaken in terms of defining a series of indicators on the current "health" and future evolution of the protected areas system. The work carried out by PRONATURALEZA, CDC, Conservation International and more recently World Wide Fund for Nature (WWF), has provided valuable guidelines that now need to be consolidated in an integrated system. Currently, as part of the M&E component of the "Indigenous Management of Natural Protected Areas in the Peruvian Amazon" Project, WWF is assisting INRENA in building a M&E Unit that will serve as the basis of a SINANPE wide system. Building on such experience, this component would provide a clear set of indicators recognized by all actors working within SINANPE. The functioning of this system would facilitate the process of defining future needs and priorities for SINANPE as a whole and for protected areas in particular. It also would provide the needed feedback on how each of the different stakeholders is working on Master Plan implementation. The experience of projects such as PROARCA/CAPAS, that developed a monitoring and evaluation system for the Central American System of

Protected Areas, should be reviewed and analyzed so as to determine its suitability in the Peruvian context.

(v) Development of a Communications System for SINANPE: The development of awareness at the national and local level on the role that protected areas and conservation activities play as part of a national development plan is still a task that needs to be accomplished. This issue becomes more urgent in a context of expansion of economic activities such as oil exploration and production, mining and tourism activities, that if not soundly managed, can produce serious damage to the long term viability of protected areas. As a way to overcome this problem the project would develop a communications system, focused on raising the level of awareness on the importance and functions of protected areas among decision-makers at the national level, populations living around protected areas and public opinion in general. This activity would have as one of its main expected outcomes easing conflicts between conservation of protected areas and other activities that either replace or use protected areas, making stakeholders aware of the implications of their projects and programs in protected areas. The basic goal is for the protected areas issue to be included in both the planning and decision-making processes of other sectors such as agriculture, tourism, mining, fishing, etc. In this particular issue, the leading role of the Coordination Committee of SINANPE will be fundamental.

During the project preparation institutional arrangements would be defined including establishing which activities would be executed directly by INRENA or contracted out.

B. Collaborative Environmental Management Component (*Estimated Component Cost US\$ 22 million*)

As stated before, protected areas are currently subject to pressures due to still limited involvement of civil society in their planning, management and generation of benefits. Along with assistance on an array of issues pertaining to laws and regulations, rights and obligations, and technical alternatives -all of which aim at strengthening civil society participatory capacities- there is the need to validate concrete protected areas management activities to be undertaken by civil society and private sector actors. The objective of this component would be to provide for funding mechanisms to assist civil society and private sector organizations in undertaking planning, management and, where possible, economic, cultural, and social activities in protected areas and their buffer zones.

The component entails implementation of two main activities: (i) a competitive mechanism and (ii) capacity building support.

(i) Competitive Mechanism: This activity entails establishing an environmentally sustainable initiative fund to be administered by the existing PROFONANPE structure. The main purpose of the fund would be to provide financial assistance to civil society and private sector stakeholders on –when possible- a competitive basis to implement conservation activities in protected areas. Projects to be considered for funding would include *inter alia*: (i) drafting of area Master Plans; (ii) reviewing or implementing existing area Master Plans; (iii) developing and implementing specific

plans and programs such as public use, tourism, interpretation or scientific research; (iv) natural resources inventories and other assessments; (v) direct management of protected areas as a whole or of selected programs defined by the Master Plan and (vi) economic activities such as small-scale tourism enterprises and economic use of area flora and fauna. Funding would be provided directly to requesting institutions. Requesting groups could include local communities, small-scale farmer associations, ad-hoc associations, neighborhood committees, private sector enterprises, local governments, and NGOs, both national and local. Block B activities would include definition of sub-grants ceilings. It is foreseen that grantees would demonstrate the availability of matching funds, and other contributions towards meeting project costs.

Criteria for activities selection will be grouped in two lines of action, considering specific status of each protected area:

a) Pre-operational

- Production or completion of baseline information for protected area management planning.
- Draft and review of general and specific management plans.
- Conducting research activities and natural resources inventories.

b) Operational

- Recurrent cost financing.
- Management plan implementation
- Direct protected areas management (concessions, administration contracts, management program implementation).
- Conducting sustainable economic activities and use of flora and fauna, both in protected areas and their buffer zones.

Criteria for group selection will be adopted taking in account area type (direct or indirect use) and will look for strengthening decentralization trends already underway. Group types already defined as priority are:

- Grassroots organizations (indigenous groups, local communities)
- NGOs (local, regional and national)
- Local governments

Specific objectives will include:

- Direct involvement of local actors.
- Consortium development (including local actors, NGOs, academic institutions, etc.).
- Development of regional and local capacities for protected area management, specifically through the strengthening of skills such as project design and implementation, administration of financial resources, accounting and budgeting and reporting capacity.

Using these basic concepts, Block B will help to define the number of institutions capable of performing the needed tasks for project success.

INRENA as the lead agency responsible for the SINANPE Director Plan, will participate in the Technical Committee to be established to conduct the selection process, and will supervise the execution of contracts to be awarded for implementation of component elements

(ii) Capacity Building: Project grants would also include funds for capacity building activities for the grantees and organizations. Training would be provided, on an as-needed basis, in organizational development and management of sub projects including administrative and accounting procedures. PROFONANPE's Technical Committee would allocate funds at the time of appraisal of the proposed initiatives based on an analysis of the capacity of the requesting organizations.

69. Capacity building activities would not represent more than a percentage of the total cost to be agreed upon. More precise calculations with respect to estimated grant ceilings, and percentages of matching funds required from different types of grantees would be further refined as a result of Block B activities.

Eligibility

70. Peru ratified the Convention on Biological Diversity on June 7, 1993. The proposed project is consistent with the GEF Operational Strategy, supporting long-term protection of globally important ecosystems. Peru is the repository of some of the highest biological diversity on the planet.
71. The project is fully consistent with Peru's first report to 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 SBSTTA Recommendation I/3.
72. The project falls under GEF's Biodiversity Focal Area. Depending on the final group of protected areas selected, GEF Operational Programs supported by the project include: (i) Arid and semi-arid ecosystems; (ii) Coastal, marine and freshwater ecosystems; (iii) Forest ecosystems and (iv) Mountain ecosystems.
73. GEF is asked to finance the incremental costs of enhancing social sustainability of the PA system and enhancing the participation of civil society and the private sector in the use of natural resources in protected areas by local communities.

GEF Biodiversity Support in Peru

74. The World Bank and the United Nations Development Program have been working in the past few years to develop a project portfolio aimed at strengthening the country's capacity to conserve its rich biodiversity. To date, the biodiversity related GEF portfolio consists of 5 full size and mid size projects completed or under implementation, adding up to US\$ 14.9 million. Taking into account two full size and four mid size projects under preparation by the World Bank and UNDP for implementation in this calendar year, the combined amount of GEF support would reach around US\$31.0 million (See Table 5). This constitutes an interesting and

growing, but still insufficient, portfolio in light of the above mentioned financial needs of the SINANPE.

75. Table 5: GEF Biodiversity Portfolio in Peru

Projects	Amount (in US\$)
1. Under Implementation	
a) PROFONANPE I (WB)	5'200,000
b) In-Situ Conservation (UNDP)	6'200,000
c) Lake Titicaca (UNDP)	2'000,000
d) RBNO (WB)	750,000
e) Vilcabamba (WB)	750,000
Total	14'900,000
2. To be Initiated in Calendar Year 2000	
a) Indigenous Management of NPAs (WB)	10'000,000
b) Biodiversity Center (WB)	3'000,000
c) Nanay River (WB)	750,000
d) Virrila Estuary (WB)	750,000
e) Amarakaeri (UNDP)	750,000
f) Atiquipa (UNDP)	750,000
Total	16'000,000
Grand Total	30'900,000

76. In terms of long and mid term strategy aimed at biodiversity conservation, the existing portfolio –specially the WB portfolio- aims basically at strengthening the country’s capacity to fully implement the Sistema Nacional de Areas Naturales Protegidas por el Estado (SINANPE), developing a participatory approach to natural resources and protected area conservation and management. As has been said above, GEF’s PROFONANPE Pilot Phase enabled the institution to operate and to support INRENA in covering recurrent and basic costs in a number of protected areas, in a satisfactory manner. In the near future, INRENA’s “Indigenous Participation in Protected Area Management in the Peruvian Amazon” Project will allow INRENA to further strengthen Pacaya-Samiria’s management as well as to establish or categorize four new protected areas, all with indigenous participation in every step of the process. Similarly, a number of mid size projects share the goal of establishing new protected areas and/or strengthening existing ones, on the basis of participatory mechanisms.
77. Under the existing portfolio, PROFONANPE’s fund will maintain its support to recurrent costs in nine to eleven protected areas; six new areas will be created (still as reserved zones in the life of the projects), while two existing ones will be strengthened with participatory processes. But, despite these efforts, providing social sustainability to conservation efforts through local participation in natural resource and protected area management remains a big challenge. At the same time, the imminent promulgation of the regulations of the Natural Protected Areas Law will

provide the needed norms and the adequate environment to launch a national effort to assure such social sustainability of the SINANPE. This Project is designed as a response to such a challenge: to launch a national effort to put in place participatory mechanisms for local social participation in natural resources and protected area conservation and management.

78. Also from a strategic perspective, the project will strengthen INRENA's capacities to perform as a national regulating and supervising body, with the ability to transfer conservation and management related responsibilities to the private sector and the social actors, but with the capacity to monitor and supervise the state of biodiversity, effective area management and effective project implementation by the local actors. Strengthening INRENA's capacities in this realm is a strategic need from the perspective of fostering participation as a means to improve conservation and management at the local level.

Coordination with Other Implementing Agencies

79. PROFONANPE is particularly suited to ensure coordination with other implementing agencies in the protected area management field due to its close involvement with INRENA and other international donors such as the Governments of Germany, The Netherlands and Finland.
80. Coordination would be sought during formulation with three GEF mid-size projects. The first project, *Conservation and Sustainable Use of the Biodiversity of the Amarakaeri Indigenous Lands*, under preparation by UNDP, is located along the eastern border of the Manu National Park area and will enhance biodiversity conservation through participatory preparation and implementation of management plans for specific sectors of the reserve.
81. The second, currently under implementation by Conservation International through the World Bank, is the "*Participatory Conservation and Sustainable Development Program with Indigenous Communities in Vilcabamba*" Project. It deals with an area where substantial progress has already been achieved towards involving Ashaninka and Machiguenga indigenous communities in developing conservation plans for a combination of a National Reserve and two Communal Reserves.
82. The third project, also already being executed, is the "*Collaborative Management of the Noroeste Biosphere Reserve*" Project. It is executed by ProNaturaleza also through the World Bank, and aims at enhancing local participation in protected area management in the Reserva de Biosfera del Nor Oeste.
83. The project will complement efforts of the GEF Grant for the "Indigenous Management of Natural Protected Areas in the Peruvian Amazon" Project, currently in its final phase of preparation. Complementary efforts will be made regarding several lines of activity. The Indigenous Management project will *inter alia* (i) design and test an M&E system, to be extended to all of the SINANPE by this project, (ii) experiment contracting with the private sector the preparation of protected areas master plans and other specific plans, (iii) promote the establishment

of Protected Area Management Committees and foster indigenous participation, and (iv) define the criteria and selection mechanisms for sub projects involving sustainable uses of biodiversity.

Sustainability

84. Project sustainability is assured by: (i) increased awareness and participation in biodiversity conservation and sustainable use of biodiversity by local populations, organizations and institutions, as a result of training, participatory experience and tangible benefits; (ii) permanence of a legal framework that encourages a participatory approach to conservation and protected area management; (iii) sub projects proposed that respond to the desires of local communities and are economically feasible and environment friendly; (iv) the legal framework for protected areas which restricts extractive industrial activities; (v) recurrent costs that are manageable within GOP fiscal capabilities or through other strategic lines.

Participation and Consultation

85. Preparation of this Block B request has been the responsibility of PROFONANPE staff and external consultants, in a process of consultation with the institution's Governing Board, composed of three NGOs, three public sector representatives, and presided over by INRENA.
86. Block B implementation will be highly participatory. The PROFONANPE Governing Board will prepare an initial proposal of target zones for fieldwork, which will be discussed in a national workshop with the participation of representatives of all SINANPE stakeholders.
87. Field work as such will be based on the active participation of local organizations and institutions. Sixteen workshops, along with individual interviews and smaller meetings, are scheduled for the eight to ten target zones to be selected, as part of the assessment of local conditions for the final design of project components and activities. Consultations with other stakeholders, such as bilateral and multilateral funded projects in execution or being formulated, would be held. The participatory nature of the future project is inherent in its proposed activities. The Master Plan requires adopting this approach so as to allow for the determination of potential use by local communities of existing resources in protected areas. The participation of PROFONANPE's Technical Committee and Board would be ensured.
88. The resulting project will be highly participatory because its goal is precisely that of fostering the participation of local actors in the conservation and sustainable use of biodiversity in and around protected areas. In terms of institutional design, the project will strengthen INRENA's capacities to associate itself with civil society and the private sector in the implementation of a number of activities concerning protected area management and biodiversity conservation and sustainable use, while developing its own control and supervision capacities.

Justification for PDF Grant

89. During 1999 PROFONANPE undertook the preparation of a Concept Note for this project, which has been reviewed initially by the World Bank and the GEF Secretariat. This proposal incorporates the valuable comments received. The Concept Note has been submitted for consideration and approved by the PROFONANPE Directive Committee and considered by the independent external evaluators who concluded on the need for further advancing in the formulation of this project.
90. This request is justified based on the need to clearly identify the areas of project intervention and assess the capacity of local stakeholders to participate fully in project activities.

Description of PDF Activities

91. Activities to be undertaken would lead to preparation of a full GEF grant proposal, which would be drafted by a group of consultants working within PROFONANPE during a period of six months.
92. Activities can be grouped according to the required needs for preparation of the GEF project. Analysis and assessments required include technical, economic, social, institutional and financial considerations.
93. A tentative work plan for the preparation process would distinguish a first stage during which national stakeholders would be consulted on the initial scope of the project and most importantly on the area of intervention of the proposed project. A set of criteria would be drawn up to assist in this selection process. The second stage of the preparation process would entail field visits and participatory consultation mechanism. A final period would be dedicated to report writing and final national consultations.
94. PDF activities have been grouped under three main heading: (i) Project design and formulation; (ii) Consultative process and (iii) Project coordination and preparation support.

a) Project Design and Formulation

All elements of the design process have been included under this heading.

i) Institutional Assessment and Target Area Selection: This would include a full review of the SINANPE situation, institutional capabilities and funding requirements to assist in the selection of target areas. Further analysis would be required of the main institutions operating in the biodiversity field in Peru including PROFONANPE and INRENA. Institutional strategic plans would be assessed or prepared if needed in order to fit in with the strategy proposed for this project.

ii) Stakeholders Assessment: A comprehensive definition of the project's target group and beneficiaries in the selected target areas would be undertaken. This would include all stakeholders at the local level including but not limited to municipalities, community groups and organizations, farmer associations, neighborhood committees, indigenous peoples organizations and local NGOs operating within a protected area or in its buffer zone. The capacity of these organizations to fully participate in the project would be assessed according to a set of criteria to be developed.

iii) Technical Analysis: The technical analysis should lead to the main outputs foreseen by the project. This mainly would be directly related to the assessment of the institutional capacity at national, regional and local levels as well as on the analysis of the biodiversity situation in selected protected areas. This analysis would consist in testing the operational modalities for the project. Benefits and risk would be determined. A monitoring and evaluation system would be proposed with clear indicators established.

iv) Economic and Incremental Cost Analysis: Full economic and financial analysis would be undertaken including the required incremental cost analysis to comply with GEF guidelines.

v) Procurement and Financial Management Analysis: A decision would be made concerning the nature of the funding mechanism for the project. Three alternatives have been suggested:

- A traditional project, in which the resources would be disbursed by tranches along the live of the project;
- An endowment fund, which would increase the existing fund or constitute a parallel one, in both cases allowing the project to operate only on the basis of the interest generated;
- A sinking fund, which would allow the project to receive all of the grant up front, capitalizing the existing PROFONANPE fund with the interests while the principal is being spent.

b) Consultative Process

The formulation of the project would require the full participation of stakeholders for which national and local workshops would be convened. It is estimated that two national workshops would be organized at the initial and final stages of project formulation.

c) Project Coordination and Preparation Support

Overall coordination would be assured by a senior project preparation specialist who as Team Leader would supervise the consultants responsible of undertaking the different elements of the design as outline above. Support staff and operational costs have also been included under this heading.

Expected Outputs

- A full GEF grant proposal.
- Selected area characterization and identified target beneficiary groups.
- Eligibility criteria for project beneficiaries, participating institutions and organizations.
- Draft guidelines for private sector intervention in protected areas management.
- Special studies on financial requirements of SINANPE as a whole, other sector perspectives and involvement in protected areas, knowledge, attitude and practices of stakeholders in relation to protected area conservation and use.
- Evaluation and monitoring indicators.
- Implementation schedules.

Preparation Costs

95. Total preparation costs have been estimated to be US\$ 459,000 of which GEF funding would amount to US\$ 342,000. A breakdown by activity is presented in Table 6 below.

**Table 6: Project Preparation Activities
(In US\$)**

Preparation Activity	GEF	PROFONANPE	Others	TOTAL
Project Design	161,800	60,000	20,000 ⁽¹⁾	241,800
Consultative Process	164,000		11,000 ⁽²⁾	175,000
Project Coordination and Preparation Support	22,000		40,000 ⁽³⁾	62,000
TOTAL	347,800	60,000	71,000	478,800

(1) In kind contribution of INRENA.

(2) US\$ 5,000 bilateral cooperation and US\$ 6,000 from FANPE/GTZ Project.

(3) US\$ 40,000 Grant from the MacArthur Foundation.

96. Activities to be financed by the GEF contribution during Block B preparation are described in Table 7 below.

**Table 7: Activities to be Financed by GEF Contribution
(In US\$)**

Description	Unitary Cost	Quantity	TOTAL
1. Personnel Costs			66,800
- <i>Team Leader</i>	4,000/month	6 months	24,000
- <i>Institutional Analysis Specialist</i>	3,000/month	5 months	15,000
- <i>Protected Area Specialist</i>	3,000/month	2 months	6,000
- <i>Social Development Specialist</i>	3,000/month	2 months	6,000
- <i>Financial Specialist</i>	3,000/month	2 months	6,000
- <i>Protected Areas Legal Framework Specialist</i>	3,000/month	3 months	9,000
- <i>Project Preparation Economist</i>	3,000/month	3 months	9,000
- <i>Field Staff</i>	1,500/month x 8	3 months	36,000
- <i>Secretary</i>	700/month	4 months	2,800
2. Transportation Costs	250/trip	50 travels/month	50,000
3. Travel Expenses	US\$70/day	400 day/person	28,000
4. Special Studies	10,000 each	4 Studies	40,000
5. Workshops			70,000
- <i>Participatory Local Workshops</i>	4,000 each	16 Workshops	64,000
- <i>Consultation Workshops in Lima</i>	3,000 each	2 Workshops	6,000
6. Maps and statistical information	Lump sum	lump sum	8,000
7. Operational Costs	2,500/month	4 months	10,000
8. Local Support Personnel	1000/workshop	16 workshops	16,000
9. Contingencies			12,000
		TOTAL	347,800

Expected Date of Project Preparation Completion

97. Based on an approval of this Block B request in May 2000, preparation would begin in June 2000 and be completed by September/October 2000. The current plan is to present the full project funding request to the GEF Council for its consideration at

the November 2000 Council meeting. The World Bank is currently planning to appraise this project after Council approval/receipt of Council comments, towards December 2000.

Work Plan

98. The work plan for Block B completion is presented in Table 8 below:

Table 8: Block B Preparation Work Plan

Activity / Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Initial Assessment	■	■	■	■																				
Field Work					■	■	■	■	■	■	■	■	■											
Report Writing														■	■	■	■							
PAD Preparation																								■

Implementing Agency Contacts

Christine Kimes, Regional Coordinator
 (202)-473-3689
 ckimes@worldbank.org

Carlos Monge, Task Manager
 Telephone: (511) 421-7239
 E-mail: cmonge@worldbank.org

Annex 1: Independent External Evaluation of Profonampe: Executive Summary

An external independent evaluation was performed at the request of the Peruvian Trust Fund for Protected Areas (PROFONANPE). The purpose of the evaluation was to acquire a critical view of the goals achieved through the activities undertaken by this agency. The evaluation sought to identify and analyze the key strategic aspects that support the agency's institutional mission. It presents specific recommendations to allow PROFONANPE to enhance its capability to raise funds, its efficacy and efficiency in managing and channeling those funds, and its capacity to support and follow up new projects within SINANPE.

The evaluation team's¹ conclusions and recommendations are based on a review of the relevant documentation, interviews with key players, and visits to select Natural Protected Areas (ANP) including Huascarán, Machu Picchu and Manu, all of which get financial support from PROFONANPE.

In general, it was concluded that PROFONANPE is a consolidated institution that has gone through an important institutional strengthening program, and has earned the trust of both donors and project implementation agents. The most striking result of the institution's performance is that in a period of only five years it has managed, jointly with other players, to double the funding available for SINANPE operations.

Such an unprecedented achievement, the climate of confidence it has generated and the valuable experience gained by PROFONANPE makes it clearly eligible for new and larger projects than those underway.

The best indicators of PROFONANPE's performance are the following:

- Raising US\$ 16 million and resource commitments for an additional US\$11 million to be executed starting in 2000;
- Average return on investment portfolios of 13.3% in 1996; 9.6% in 1997; -3.3% in 1998, and 5.9% through September 1999;
- Executing US\$ 5.4 million worth of investment for the benefit of SINANPE;
- Funneling funds towards 17 protected natural areas (62% of the SINANPE area) with concentration on 10 such areas;
- Reduced operating expenses as a percentage of operating costs, from 38% in 1996 to 15% in 1999; and
- A 92% disbursement capacity (1996-1998).

In the viewpoint of the evaluation team, PROFONANPE's main strengths are:

- Its institutional capacity and efficiency for fund raising and management;
- Its remarkable project portfolio, including a seed fund that will provide a stable basis to cover operating expenses in the long term; and

¹ The evaluation team was headed by Mr. Allen D. Putney, an expert in planning, management and financing protected areas; and comprised Mr. Lorenzo Rosenzweig, a financial and administrative expert and Executive Director of the Mexican Fund for Nature Conservation and President of the Environmental Funds Network for Latin American and the Caribbean; and Mr. Víctor Pulido, a Peruvian consultant, expert in protected areas and biodiversity, university professor and former Director of National Parks.

- The trust of and its good relationship with donors and project executing agents.

The following weaknesses were also identified:

- A weak strategic framework, especially concerning a second phase when it will engage in direct fund raising;
- A decision making process that could benefit from more agility and that results in decisions that are not necessarily the most relevant from a strategic viewpoint, thus advising:
 - a better use of the various departments within the agency and the synergies among them; and
 - a more careful handling of potential or apparent conflicts of interest.
- A rigid institutional framework that does not provide sufficient room for the structural adjustments required for the agency's growth; and
- Channeling of funds to a handful of social players.

PROFONANPE's performance indicators clearly point to an extremely positive balance between its strengths and weaknesses. The institution's strength, experience and record of accomplishments make it an extremely strong candidate to obtain even larger financial resources in the future.

Observations, conclusions and recommendations included in this report must be taken as elements aimed at further strengthening the institution's underpinnings for an ordered and effective growth, with broad participation, crystal-clear openness in all management areas and greater effectiveness in channeling funds.

As a consequence of what has been mentioned, this is a turning point for PROFONANPE, together with the State and civil society, to jointly promote a process that will strengthen SINANPE's management and profit from the available opportunities. In keeping with the guidelines laid out in the SINANPE Master Plan and directly related to the outcome of the assessment, the following guidelines are evident:

1. In the Strategic Area:

- To bring together and leverage a wider range of the diverse capabilities present across the State, civil society, local communities, indigenous groups and the private sector to preserve and – in cases requiring less strict management - profit in a sustainable manner from the natural resources in the areas under SINANPE;
- To the extent possible, to quantify SINANPE's actual capital and its contribution to the national economy so as to warrant greater investment in its management and leverage its capacity to create substantially larger revenues for the nation;
- To support INRENA's efforts to increase its management capabilities as a directing, control and catalyst agent.

2. In the Operating Area:

- To develop a broad participation process for project design as a mechanism to begin updating PROFONANPE's strategic framework, and promote the initial studies to quantify the Natural Protected Area's natural capital and their potential to generate resources, mainly in environmental services and tourism;
- To articulate the inputs from a larger number of donors and community players by including funds earmarked for co-financing;
- To explore the possibility of linking donations aimed at PROFONANPE with a loan aimed at strengthening the state sector.

Annex 2: The Peruvian Protected Area System (SINANPE): Background Information and Current Situation

(Prepared by the Peruvian Environmental Law Society - SPDA)

1. Background information about the Peruvian Protected Area System

The history of protected areas in Peru goes back almost 50 years when the Peruvian government declared the Cueva de las Lechuzas National Reserve, covering a part of what is today the Tingo Maria National Park. Since then, the Peruvian government has declared 49 protected areas, distributed among 9 management categories, three of which are strictly protected or indirect use protected areas. The present coverage of the Peruvian protected area system is more than 11,000,000 ha., or almost 10% of Peruvian territory.

The National System of Natural Areas Protected by the State (SINANPE), was set up in its current form in 1990, when the Peru National Parks Program was created within the Ministry of Agriculture. Subsequently administration of the SINANPE was assigned to the National Institute of National Resources (INRENA), which according to current legislation, is the highest authority over the protected area system.

During the past ten years the SINANPE has evolved significantly in fundamental areas such as the conceptual definition of system and the areas which comprise it, the institutional framework, protected area management, strategic planning, and the participation of the private sector.

The current model of the SINANPE has its roots in the Environment Code and the Political Constitution of Peru, rulings published in 1990 and 1993 respectively. These two rulings, emitted at the highest political level, have inspired and underpinned subsequent rulings which aim to consolidate the protected area system, such as the Protected Areas Law of 1997, the SINAPE Directorial Plan of 1999, and the law creating the National Protected Areas Fund (FONANPE), which was passed in 1992.

The legal framework for the SINANPE should be completed in the next few months with the publication of the Code of Regulations for the application of the Protected Areas Law, whose final draft version is currently being reviewed by INRENA.

2. What is the SINANPE?

At a conceptual level the SINANPE is defined by the Directorial Plan² as an ordered whole, whose components interact and function organically. The SINANPE comprises a physical component, represented by the set of protected areas which it contains; a social component, represented by the different stakeholders and interest groups involved; a legal corpus, made up of legal rulings currently in force; and finally interacting elements, such as the means of communication and coordination mechanisms.

² The Directorial Plan or Strategy for Protected Areas was approved in 1999, and is a long term plan for the development of the SINANPE.

At an administrative and regulatory level, the entity in charge of the SINANPE is the National Institute of Natural Resources (INRENA), through its General Directorate of Protected Areas and Wild Fauna (DGANPFS). INRENA is a decentralized public body within the Ministry of Agriculture.

At a financial level, since 1992 the SINANPE has received the support of the National Protected Areas Fund (FONANPE). The administrative agency in charge of the FONANPE, known as PROFONANPE, has been able to capture significant resources for the protected area system in the form of donations, debt swap agreements and other funding mechanisms. To date the principal sources of funds have been the Global Environment Fund (GEF) and the governments of Germany, Canada and Finland. There is also an important independent presence of non-government organizations working in some areas within the system, whose projects contribute to the management of the protected areas. Finally, INRENA has its own budget for the administration of the system, and itself receives significant support from international cooperation agencies, principally from the German government through its project to support the system known as FANPE.

At a social level, the majority of the protected areas are in populated zones. In a number of cases there are rural or indigenous populations [within the protected areas themselves], including indigenous populations living in voluntary isolation in some areas such as the Manu National Park. The main problems associated with this human presence are the uncontrolled extraction of natural resources, changes in land use, and grassland fires with the associated problem of soil erosion.

3. Legislation

At an organic level, the legal history of protected areas is a relatively recent one. While the legislation relating to these areas has antecedents that date back to the fifties, the most important rulings with regard to national protected area policy have been approved within the last ten years.

The Political Constitution of Peru of 1993 made reference for the first time in Peruvian law to the obligation of the State to promote the conservation of protected areas. Previously, in 1990, the Environment Code had dedicated an entire chapter to protected areas. However it was in 1997 that the first high level, specific and systematic ruling with regard to protected areas was emitted, with the promulgation in July of this year of Law 26834, the Natural Protected Areas Law³. Subsequently, on April 7 1999, Supreme Decree No. 010-99-AG approved the Directorial Plan for Protected Areas.

Other important rulings which have a bearing on protected areas include the laws of Sustainable Use of Natural Resources Law and Biological Diversity, both published in 1997; the National Wetlands Strategy (1996) and the National Biological Diversity Strategy⁴; as well as international conventions signed and ratified by Peru, such as the RAMSAR convention on wetlands, and the conventions of biological diversity and the

³ In Peru, protected areas are known as "áreas naturales protegidas" - natural protected areas. In this translation they are referred to as "protected areas".

⁴ Still not formally approved.

conservation of migratory species, which were ratified by Peru in 1991, 1993 and 1997 respectively.

It is true that all this legislation, together with other rulings applicable in protected areas emitted by different sectoral state agencies, could appear excessive and to a certain degree counterproductive, because of the potential confusion caused by the simultaneous application of a variety of legal instruments. However the two principal rulings, the Protected Areas Law and the Directorial Plan, provide sufficient top level support for protected areas, and their content permits a clear understanding of the protected area system. The other rulings are complementary and in the majority of cases derive from the same policy principles as the two principal rulings referred to above.

4. The Directorial Plan and the Protected Areas Law

Although the Directorial Plan is a recent ruling in law, in reality this was the first of the two documents to be drawn up, and provided the conceptual foundations for the model subsequently adopted by the Protected Areas Law, and its Code of Regulations which is currently under review.

Despite this, the full repercussions of the Directorial Plan are still not sufficiently understood. Now that a law exists (and its Code of Regulations which is expected to be published soon), dealing with the issues addressed by the Plan, the role of the Plan itself within the new legislation remains unclear.

To understand the ground occupied by the Directorial Plan, we need to consider its antecedents. The formal process of drawing up the Directorial Plan was begun in 1994. This process, which lasted about 18 months, provided a unique opportunity for different interest groups to exchange ideas and information about policies and approaches towards the development of protected areas. The records show that the formulation of the Directorial Plan involved both government agencies and the private sector, both for-profit and non-profit. In addition the process promoted the participation, in regional workshops, of grassroots organizations and local people living in and around the protected areas.

The Directorial Plan was formally submitted to the Peruvian government for its approval in 1995. However the size of the document and the quantity of legal, and structural changes required for the implementation of the measures proposed meant that it was difficult to approve the Plan in its initial form. Thus the document underwent a series of internal reviews by Peruvian authorities during the following four years, with the aim of adapting it to existing institutional policies.

However, the process of discussing and drawing up the Plan was sufficiently good for the different interest groups involved to begin to adapt their activities to the guidelines it contains, even though the Plan itself had still not been formally approved. And this, undoubtedly, began to have an impact of the management of the protected areas themselves.

The version of the Directorial Plan approved in April 1999 is based on the work undertaken in 1994 and 1995. However the document was drastically edited, and the

approved version of the plan consists of general guidelines, in contrast to exhaustive detail of the original document⁵. Despite this, the Directorial Plan is an excellent tool for understanding national policy with regard to protected areas, and for their long term management⁶.

In 1997, Congress decided to prioritize the passing of a protected areas law. This law was a legal necessity identified by the Plan, since many of the conceptual changes required contradicted existing laws. The passing of this new law thus overcame many of the obstacles to the approval of the Directorial Plan, since it established the principal conceptual modifications proposed by the Plan at the highest level of the legislative hierarchy. Among the innovations of contained in the Protected Areas Law were the following:

- The definition of three levels of protected areas: national, regional and private.
- Conceptual definitions of existing protected area categories and two new categories: protected landscapes and wildlife refuges.
- Redefinition of norms for zoning protected areas.
- Redefinition of objectives for protected areas as a whole, improving the objectives defined by the Environment Code in 990.
- Various mechanisms to promote the participation of the private sector in protected area management.
- Mechanisms for coordination, collaboration and the exchange of information between public and private institutions, at a national level by setting up a Coordination Council and at an area level through protected area Management Committees.
- Recognition of INRENA as the highest authority over the system, and thus of its role as the state agency whose favorable opinion is required for any activity to be carried out within the protected areas.
- Recognition of the planning documents at a system and area level (Directorial Plan and Master Plan), as rulings that must be complied with by any activity to be carried out within the protected areas.
- Introduction, for the first time in Peruvian law, of the concept of buffer zones.

In addition to the significant advances at a conceptual level introduced by the Directorial Plan and the Protected Areas Law, there are two fundamental elements that characterize and define the spirit of both rulings. Firstly, the aim is to guarantee unity in the management of the system and its component areas, through inter-agency coordination mechanisms and by giving added legal weight to approved plans. Secondly, there is a clear political decision to promote private participation in the management and administration of protected areas, through mechanisms to involve interest groups in their management, and for the incorporation of privately owned lands of ecological importance into the SINANPE, as a means of increasing the overall coverage of the system. These issues are addressed in more detail below.

⁵ The Directorial Plan is divided into four parts: the Conceptual Framework of the SINANPE; a National Strategy for Protected Areas, a Strategic Action Plan, and appendices.

⁶ While neither the Directorial Plan nor the Protected Areas Law defines the period during which the Plan will remain in force, during the process of drawing up the Plan it was clearly understood that the document should be reviewed and updated every ten years.

5. Management unity and private participation in management: a new tendency

The new legislation incorporates a number of legal instruments to promote management unity and private participation in the management of the system, the protected areas, and resources and activities within them. The most important of these are the following:

- The Coordination Council. This is the highest level forum for coordination, collaboration and the exchange of information. It groups together the principal public and private sector bodies with an interest in the planning and management of the protected area system.
- Plans. The additional legal weight assigned to system and area plans at different levels converts them into tools of fundamental importance for guaranteeing unity in the management of the SINANPE and its component areas. These plans are drawn up using participatory methods with the objective of defining management strategies, programs and activities. In the case of individual areas, the Master Plan is the most important legal ruling, since it defines rules for the use of the area that must be adhered to by all public and private stakeholders with a presence in the area concerned.
- Management Committees. These committees bring together representatives of local interest groups at an area level. Their principal functions are to intervene in planning processes at an area level, and the supervision of plans and contracts being implemented in the area. In addition it is expected that the committees will provide an effective forum for improving coordination, collaboration and the exchange of information between public and private interest groups.
- Administration Contracts. The State is now able to delegate functions inherent to the management of a protected area to a private agency. This agency would basically be responsible for implementing the area Master Plan, under the terms of a contract to manage whole or part of the protected area. In this case, the executor of an Administration Contract would assume all the functions of the Area Director, with the exception of regulatory functions and the imposition of sanctions. These would remain with the Area Director appointed by INRENA.
- Private conservation areas. The owners of lands that contain natural elements worthy of conservation will be able to apply for state recognition of these lands as private conservation areas. In these cases the owner is obliged to implement a management plan compatible with the conservation of the area, and in return becomes eligible to receive benefits, in the form of economic benefits, special privileges, or services

6. Current challenges facing the SINANPE

The SINANPE has a solid and consistent legal base that responds to the biodiversity conservation needs of a country like Peru. However, the importance of protected areas within the social and economic context of Peru is still poorly understood and to a certain extent undervalued. The general perception, both among the general public and within the government, is that the value of protected areas is emotive rather than utilitarian.

That this is the case has been made clear in situations which have given rise to discussions about the development, within protected areas, of economically important activities such as oilfield development, mining and forestry extraction. The state has

tended to adopt a permissive attitude and adopt the role of onlooker, despite the existence of legislation to deal with these cases.

This leads to the conclusion that the principal challenge facing protected areas is to generate increased understanding of the real value of the economic, cultural and social role they fulfil within Peruvian society. In this sense, the orientation towards the private sector within the current management model of the system is of strategic importance, since the active involvement of interest groups will provide the best means of generating a favorable image and strengthening the presence of protected areas within society at large.

In this sense, what is urgently required is an aggressive strategy oriented towards the implementation of mechanisms to strengthen management unity and promote the private participation in the management of protected areas. At present, the majority of these mechanisms only exists on paper and has yet to be put into practice.

This strategy has a high probability of success, since the majority of these mechanisms have their origins in consensual participatory processes, whose legitimacy is recognized by the public and the private sector alike. Moreover, the growing interest in economic activities linked to protected areas and biological diversity, such as ecotourism, biotechnology and bioprospection, allows one to presume that the government is disposed to improve juridical security for protected areas conservation initiatives. Finally, the growing tendency to involve local people in the management of protected areas⁷, and the increasing benefits they derive from them, has contributed towards a substantial improvement in the public perception of these areas.

20 Legal Milestones in the Regulation of Protected Areas during the past 10 Years

1. Supreme Decree No. 010-90-AG, sets up the System of Natural Areas Protected by the State (SINANPE), published March 24, 1990

Although this ruling was tacitly derogated by the Organic law of the Ministry of Agriculture (Legal Decree 25902) and by Law 26834, it remains the case that this is the disposition which set up the System of Natural Areas Protected by the State (SINANPE).

According to this ruling, the System is made up of National Parks, National Reserves, National Sanctuaries, Historic Sanctuaries, Communal Reserves, National Forests, Protected Forests, Game Reserves, and other categories of national interest which may be established by the Ministry of Agriculture for conservation purposes. It should be mentioned that the categories that currently make up the protected area system are different from those mentioned in the original decree.

2. Legal Decree No. 613, Environment and Natural Resources Code, published September 8, 1990

⁷ An example of which is the GEF project submitted by the Peruvian government for the management of protected areas by indigenous communities.

Chapter X of the Environment and Natural Resources Code contains the dispositions related to protected areas. In addition, Article 97 establishes some conditions for infrastructure in adjacent areas.

Chapter X establishes the obligation of the State to protect representative samples of natural ecosystems by means of a system of protected areas. It also recognizes the ancestral property rights of rural and indigenous communities with territories inside the protected areas, while obliging them to exercise their property rights in harmony with the protected areas.

Some articles of Chapter X of the Environment Code were derogated or modified at the end of 1991⁸. Others, such as the article referring to the objectives of protected areas, were amplified and modified by Law 26834, the Protected Areas Law. Despite these modifications, the Environment Code is a ruling that remains in force and is of singular importance because it is the highest level ruling that addresses environmental issues as a whole.

3. Legal Decree No. 757, Law to Establish the Framework for the Growth of Private Investment, published November 13, 1991

This is one of the rulings that introduced modifications to the Environment Code at the end of 1991. It defines the environmental authority referred to in the Environment Code as "the competent sector with authority", that is to say that each sector has competence and is responsible for regulating and controlling environmental aspects of activities under its charge. Article 54 of Legal Decree No. 757 establishes that protected areas can be national, regional or local, according to the level of government that administers them. (This issue was subsequently clarified and defined by Law 26834, the Protected Areas Law).

4. Legal Resolution 25353 (November 26, 1991), Convention with regard to Wetlands of International Importance, Especially as a Habitat for Aquatic Birds - RAMSAR

Peru has been party to the convention since 1991. The seven RAMSAR sites currently inscribed in the Convention list by the Peruvian government are all areas which have also been declared protected areas within the Peruvian, under both strict protection and managed use categories. They include National Sanctuaries and National Reserves.

5. Legal Decree No. 25902, Organic Law of the Ministry of Agriculture, publishes November 29, 1992

This Decree creates the National Institute of Natural Resources (INRENA), as a Decentralized Public Agency within the Ministry of Agriculture charged with promoting the rational use and conservation of forestry resources and wild flora and fauna, with the

⁸ The modifications to the Environment Code relating to protected areas introduced by Legal Decrees 653, 655, 708 and 757, relate to issues which were subject to further regulation by Law 26834. For this reason, of those mentioned above only Legal Decree 757 appears in this list, since this was the most important ruling during this period.

active participation of the private sector. This Law transfers the functions of the former Peru National Parks Program to INRENA.

6. Legal Decree No. 26154, creates the National Fund for Natural Areas Protected by the State - FONANPE, publishes December 30, 1992

Legal Decree No. 26154 created the National Fund for Natural Areas Protected by the State - FONANPE, and PROFONANPE, the institution charged with the administration of the fund.

FONANPE was created as an inalienable trust fund dedicated to the conservation, protection and management of Peruvian protected areas.

FONANPE is set up with resources from donations by international technical cooperation agencies for this purpose, as well as complementary resources transferred by the public and private sectors.

7. Supreme Decree No. 055-92-AG, approves the Code of Regulations for the organization and functioning of the National Institute of Natural Resources (INRENA), published January 16, 1993

The National Institute of Natural Resources (INRENA) is the decentralized public body within the Ministry of Agriculture whose objective is the management and rational and integral use of renewable natural resources and their ecological settings, to achieve sustainable development.

INRENA, in order to comply with its functions, has five line agencies: the General Directorate of Water and Soils, the General Forestry Directorate, the General Directorate of Protected Areas and Wild Fauna, the General Directorate of Natural Resources Studies and Projects, and the General Directorate of the Environment.

The General Directorate of Protected Areas and Wild Fauna is the agency charged with proposing policies, plans and regulations to ensure the adequate management and administration of the units which make up the protected area system. It is responsible for proposing procedures and regulations for the management of existing areas and the establishment of new ones. In addition it is responsible for proposing policies, plans and regulations in relation to the sustainable use of wild fauna, and for supervision and control to ensure their compliance. Or in other words, for controlling and promoting the rational use, conservation and preservation of wild fauna.

8. Legislative Resolution 26181 (December 5, 1993), Convention on Biological Diversity

This convention establishes dispositions oriented towards the in-situ conservation of biological diversity, through the establishment of protected areas. At present, Peru is in the process of drawing up a National Biodiversity Strategy, which is one of the commitments made within the framework of the convention.

9. Supreme Decree No. 024-93-AG, Code of Regulations of Law No. 26154, which created the National Fund for Natural Areas Protected by the State - FONANPE, publishes July 16, 1993

The Code of Regulations of Law 26154 contains rules to regulate the functioning of PROFONANPE.

It defines the objectives and structural components of PROFONANPE, regulatory guidelines for the Board of Directors, and procedures to be applied in the case of dissolution and liquidation of the institution.

10. 1993 Political Constitution of Peru

Chapter II of Title IV on the Political Constitution of Peru contains dispositions related to the environment and natural resources.

Article 68 of this Chapter establishes the obligation of the state to promote the conservation of protected areas. This provides constitutional guarantees for protected areas for the first time in the history of Peru.

11. Directorial Resolution No. 054-96-INRENA, approves the "National Strategy for the Conservation of Wetlands in Peru", published March 20, 1996

This document defines the strategy for the conservation of Peruvian wetlands, incorporating the guidelines and recommendations of the RAMSAR convention, which was ratified by Peru in 1992. Peru has inscribed seven wetlands in the list of the Convention as sites of international importance, especially as habitats for aquatic birds.

The Peruvian wetlands inscribed in the list of the Convention are all part of the protected area system. These are: Pacaya-Samiria National Reserve, Paracas National Reserve, Titicaca National Reserve, Junin National Reserve, Lagunas de Mejia National Sanctuary, Manglares de Tumbes National Sanctuary and the Pantanos de Villa Reserved Zone.

12. Supreme Decree No. 011-96-AG, designating Ecological Protection Zones in the Amazon Region, July 19, 1996 (derogated by Supreme Decree No. 011-97-AG)

This Decree excludes the National Forests from the System of Natural Areas Protected by the State (SINANPE).

13. Supreme Decree 002-97-RE (January 28,1997). Convention on the Conservation of Migratory Species of Wild Animals, adopted in the City of Bonn, June 23, 1979

While the signing of this convention has not given rise to specific regulations under Peruvian law, as was the case with the RAMSAR Convention, it is important for the possibilities it opens up for the legal regulation of biological corridors and frontier protected areas.

14. Law 26793, Law of Creation of the National Environment Fund, published May 22, 1997

This law establishes that the National Environment Fund (FONAM) and the National Protected Areas Fund (FONANPE) are distinct and separate entities.

15. Supreme Decree No. 011-97-AG, Code of Regulation of Law 26505, referring to private investment in the development of economic activities in state-owned lands and territories of rural and indigenous communities, published June 13, 1997

Title III of Supreme Decree No. 011-97-AG deals with the Ecological Protection Zones in the Amazon region. According to this ruling and the Law it sustains, private property is not permitted within Ecological Protection Zones.

It defines Ecological Protection Zones and determines the areas comprised by these zones, which include the protected areas in the Amazon region.

It also includes the provision that the establishment of Ecological Protection Zones will not affect prior property rights acquired under the provisions of the Land Law.

It establishes that the Ministry of Agriculture, through INRENA, is the entity responsible for ensuring compliance with rulings relating the Ecological Protection Zones.

16. Law No. 26281, Organic Law of the Sustainable Use of Natural Resources, published June 26, 1997

This law provides a general regulatory framework for the sustainable use of natural resources, considering that these form part of the national heritage.

The principal dispositions contained in the law refer to the freedom of access to natural resources, the granting of rights over natural resources to individuals and conditions placed on their use.

17. Law No. 26834, Law of Natural Protected Areas, published July 4, 1997

This is the most important ruling on the management and conservation of Peruvian protected areas.

The principal dispositions contained in the law deal with the management and administration of the System of Natural Areas Protected by the State (SINANPE), management instruments, and the sustainable use of protected areas.

An important aspect of the Law is that it establishes that protected areas can be under national, regional or private administration.

In addition, the Law incorporates two new categories of protected areas into the SINANPE, Protected Landscapes and Wildlife Refuges, and redefines the zoning of protected areas. It also incorporates the concept of buffer zones.

18. Law No. 26839, Law of Conservation and Sustainable Use of Biological Diversity, published July 16, 1997

This law provides a general regulatory framework for the conservation of biological diversity and the sustainable use of its components.

The Law of Biological Diversity includes dispositions relating to planning, inventories and monitoring; conservation mechanisms; rural and native communities; and scientific research and technology.

The Law also establishes that its application is governed by the principles and definitions contained in the Convention on Biological Diversity.

The Law includes a Title on protected areas which is compatible with the dispositions of Law 26834.

19. Supreme Decree 010-90-AG, approves the Directorial Plan for Protected Areas, published April 11, 1999

The Directorial Plan provides a conceptual framework for the SINANPE, the National Strategy for Protected Areas and the SINANPE Strategic Action Plan.

20. Supreme decree 001-2000-AG, determines that INRENA should administer the inscription of protected areas in Public Records as part of the National Heritage, published January 11, 2000

This decree establishes that the protected areas should be inscribed in Public records as a National Heritage in the name of the State and the Ministry of Agriculture. This implies that it is legally impossible to adjudicate lands within the protected areas, confirms the inalienable and non-prescriptable character of the protected areas, and the right of the State to have first option on the purchase of pre-existing private properties within these areas. Other state sectors and local authorities are impeded from undertaking construction activities or carrying out other works within protected areas without the prior approval of INRENA.