



THE SITUATION

Peru, with an area of approximately 1.3 million square kilometers, is the third largest country in South America and one of the most biologically diverse countries on the planet. The Peruvian Amazon, measuring 69 million hectares, is home to an indigenous population of over three hundred thousand belonging to roughly 50 ethnic groups and fifteen language families. Their livelihood is under threat because the forest is disappearing. The direct drivers responsible for most of the deforestation and forest degradation in the Peruvian Amazon include: unsustainable traditional small-scale farming; medium and large scale agriculture; and timber and non-timber harvesting. Underlying these drivers are situations of poverty and social exclusion in the Amazon; the relatively low profitability of forest activities compared to other non-forest land uses; limited access to markets for forest ecosystem goods and services, and the growing demand for products from land uses that compete with forest activities like biofuels or industrial crops. These issues are compounded by the absence of integrated land use planning; limited institutional capacity; little regulation, almost no penalization, and imperfect and incomplete allocation of rights to indigenous peoples.

THE TRANSFORMATION

Peru will tap US\$50 million in grant and near-zero interest financing from the Forest Investment Program (FIP) to support the implementation of an investment plan designed under the government's leadership in coordination with the Inter-American Development Bank (IDB), the World Bank (IBRD), other development partners and key Peruvian stakeholders. The investment plan aims to address the direct and underlying drivers of deforestation using a two-pronged approach. On one hand, the decision was made to prioritize three geographic areas which constitute a representative sample of the major drivers of deforestation and forest degradation across the Peruvian Amazon. Three targeted projects will test integrated landscape management approaches in these areas so that successes can be easily replicated and enlarged in other areas of the Amazon with similar forest-use contexts. On the other hand, the fourth project focuses on forest conservation policy, institutions, and instruments that will provide the enabling environment for transformative change.

PERU QUICK FACTS

Total forest area in millions of hectares	73.3
Total number of forestry species	2500
Total timber produced used for fuel-wood in rural households	70%-90%
Fraction of the population living in the Peruvian Amazon	13.4%
Contribution of forestry, agriculture and land use change to national emissions	61%
Extent of agriculture as a percentage of total area	4.3%
2000-2009 average annual deforestation rate	0.14%

PERU FIP QUICK FACTS

FIP Financing:	US\$ 50 (54% grants; 46% near-zero interest credits)
Expected to leverage at least:	US\$ 37.3 million

EXPECTED FIP IMPACT: Transforming Governance in the Peruvian Amazon

The Peru FIP investment plan is going to strengthen the enabling conditions (governance, innovation and land titling assignment) that allow for more investments focused on the reduction of the pressure on forests and the recuperation of degraded areas, as well as on activities for the development of competitiveness in the forestry sector. The direct results of the implementation of the Plan include: Improvement in forest and environmental governance in the areas involved in the program; Improvement in guaranteeing land tenure for forest dependent populations and communities involved in the program; and the enhancement of competitiveness of economic activities related to forest in the areas involved in the program.



Source: CIF AU

“We have had an intense consultation and participation process to develop our FIP investment plan, including two major Amazonian indigenous peoples groups, NGOs, and the private sector. The process has taken more time than originally expected, but, in the end, has produced a more legitimate and technically strong document.”

Gabriel Quijandria, Vice Minister of Strategic Development of Natural Resources, Ministry of the Environment, Peru

PERU FIP INVESTMENT FOCUS AREAS

USING INTEGRATED LANDSCAPE MANAGEMENT TO REDUCE DEFORESTATION AND FOREST DEGRADATION

RATIONALE: FIP financing will support the process of mainstreaming the integrated landscape approach into priority deforestation and forest degradation areas to address the main direct and underlying drivers of forest loss and land use change. Investments will improve: land tenure and land-use planning processes; market competitiveness of timber and non-timber forest products; decentralization processes including capacity building for indigenous communities and local authorities; community forest management practices and the recovery of degraded agricultural lands for agroforestry systems.

FINANCING: US\$ 37.5 million in FIP grant and near-zero interest credit financing is expected to leverage US\$26.3 for these three - two IDB and one IBRD -implemented projects.

EXPECTED RESULTS:

- Reduced GHG emissions from deforestation and forest degradation and enhanced carbon reserves
- Improved tenure system as evidenced by the number of titles or other rights of use or access to land and natural resources granted to men and/or women
- Greater competitiveness of sustainable use of timber and non-timber products as evidenced by the amount of venture capital earnings invested in forests, the productivity increase per hectare of forest and the economic profitability of activities supported by the project
- Improved forest governance as evidenced by the number of forest planning agreements, the existence of operating conflict resolution mechanisms, operating forest oversight bodies, and community-early warning anticorruption mechanisms
- Poverty reduction among indigenous peoples and local beneficiaries as evidenced by men and women's income, assets and/or access to natural resources and changes in access to basic services
- Reduction in the loss of biodiversity and increased maintenance of forest ecosystem services as evidenced

STRENGTHENING OF NATIONAL FOREST GOVERNANCE AND INNOVATION

RATIONALE: FIP financing will support improvements in national forest governance and innovation in the financial services market in order to remove the barriers that too often limit communities and small producers from making long-term investments in the management of native forests and the recovery of degraded areas. Specifically, the project aims to: help design and implement a forest monitoring System; assist with the development and transfer of technology for the recovery of degraded areas and sustainable forest management; and promote the development of financial instruments for sustainable long-term forest investments.

FINANCING: US\$ 12 million in FIP grant resources will support this IDB-implemented project.

EXPECTED RESULTS:

- Policy reforms and strengthened of forest management tools;
- Legalization, titling and registration of property rights
- Deforestation monitoring as evidenced by the development and implementation of a national system for deforestation/degradation monitoring in real time, in order to facilitate command and control processes
- Innovation and technology transfer as evidenced by, inter alia, established training programs for engineers, foresters, government official etc in sustainable forest management techniques and best practices, as well as more effective business management in the sector and persons taking up these practices and models
- Innovation in finance mechanisms as evidenced by the production of instruments that promote innovation in reforestation, agroforestry and forest management of community forests, to which different actors may have access, with priority on indigenous communities

