Cover Page for Project/Program Approval Request			
1. **Country/Region**:	Peru	2. **CIF Project ID#**:	(Trustee will assign ID)
3. **Source of Funding:**	■ FIP	☐ PPCR	☐ SREP
4. **Project/Program Title:**	*FIP: Integrated Forest Landscape Management Project in Atalaya, Ucayali*		
5. **Type of CIF Investment:**	■ Public	☐ Private	☐ Mixed
6. **Funding Request in million USD equivalent:**	*Grant:* *$5.8*	*Non-Grant:* *$6.4*	
7. **Implementing MDB(s):**	*IBRD*		
8. **National Implementing Agency:**	*Republic of Peru – Ministry of Environment and Natural Resources*		
9. **MDB Focal Point and Project/Program Task Team Leader (TTL)**:	*Headquarters-Focal Point:* Garo Batmanian	*TTL:* Angela Armstrong	

10. **Project Description** (including objectives and expected outcomes)**:**

The **main objective of Peru's Forest Investment Plan (PIP),** to which this project is tied, which is expected to generate a transformative impact within the next 10-15 years, is to reduce greenhouse gas (GHG) emissions produced by deforestation and forest degradation, and enhance carbon reserves in sustainable forest landscapes, thereby helping to reach the national target of "Declining net emissions to equivalent to zero in the category of Land Use, Land-Use Change and Forestry by 2021." In achieving this objective, the PIP is expected to generate two types of co-benefits: (i) reduce poverty of indigenous communities and other local populations, under a gender equality approach, by increasing income from management of sustainable forest landscapes and productive agroforestry mosaics; and (ii) reduce the loss of biodiversity and maintain forest ecosystem services.

The **project objective** is to strengthen the capacity of forest dependent communities and enterprises to sustainably manage and use forest landscapes, in the Raimondi, Sepahua and Tahuanía districts of the Atalaya province.

The **project's primary beneficiaries** include enterprises and 5,997 households in 120 communities, who use forest resources for their businesses and livelihoods, in the Raimondi, Sepahua and Tahuanía districts of the Atalaya province. The majority of beneficiaries (80%) are indigenous and 40% are expected to be women. Each family has less than two hectares for farming production purposes, primarily for self-sufficiency purposes. The average household income for indigenous communities is US$2,122 per year, compared to US$2,621 per year for other small forest users in the area. These communities are located in districts with a Human Development Index lower than the national average (0.43 versus 0.5).

The project will be implemented through three complementary components as per below:

Component 1. Institutional Strengthening for Forest Landscape Management and Conservation

Sub-component 1.1. Provision of land tenure rights and promoting community-level land-use planning. The objective of this sub-component is to work with national government agencies (e.g., Ministry of Agriculture and Irrigation [MINAGRI], Property Registry Agency [SUNARP]), sub-regional government agencies (e.g., regional and municipal land regularization and forestry agencies), and indigenous and other forest dependent community

12. **Stakeholder engagement:**

organizations to support local efforts to secure forest land ownership and use (e.g., forest concessions). In particular, this component will support the registering of indigenous peoples located in the three districts, in the National Registry of Native Communities, through the provision of technical and legal assistance to native communities. Recognition of a native community in the National Registry of Native Communities as a legal entity is a prerequisite for initiating the land titling process. The component will also finance the demarcation and titling process, which establishes the geographic location and physical boundary for native communities' land and formally registers title for native communities, by covering the costs charged by the respective entities (e.g., regional agricultural offices) to carry out these processes.

Sub-component 1.2. Strengthening enabling conditions for forest governance. This sub-component aims to foster reduced forest-related crimes and illegal activities and to ensure compliance with sustainable forest management practices, through improving information management, increasing institutional transparency and accountability across relevant institutions, and building the skills base and capacity of forest stakeholders around sustainability principles. Activities will support Regional Environmental Authority (*Authoridad Regional Ambiental,* ARA) personnel, responsible for law enforcement within forest areas, in improving the prevention, inspection, and detection of crimes and illegal activities in forested areas.

Support will be provided in strengthening the planning, operation, and coordination of the Community Control and Oversight Committees *(Comités de Vigilancia y Control Comunitario)* responsible for oversight and surveillance within the indigenous communities, in coordination with corresponding environmental and forestry authorities (Forest Resources Supervisory Agency (OSINFOR), ARA, Attorney General's Office for Environmental Matters (FEMA), National Forest Service (SERFOR), and others).

This sub-component will also foster citizen participation in the Municipal Environmental Commission (*Comisión Ambiental Muncipal,* CAM) and Regional Environmental Commissions (*Comisión Ambiental Regional, CAR)* to develop a common vision for landscape management. This common vision is expected to contribute to more sustainable land-use decisions and also support the incorporation of this vision into native communities' life plans. The project will encourage the participation of women, youth, and other vulnerable groups in these Commissions and planning exercises.

Component 2. Strengthening sustainable forest landscape management and use

Sub-component 2.1 Investing in forest landscapes. This component aims to promote the development of forest landscape investments and businesses, by providing small-scale grants at the community level that contribute to sustainable forest management, food security, and income generation. Communities and community enterprises will prioritize investments, such as agroforestry, silviculture, ecotourism, and other landscape management measures. Community members will develop investment plans in accordance with criteria outlined in an incentive fund handbook, with technical and business development support provided by project-financed local technical advisors (see sub-component 2.2). This handbook incorporates a listing of best practices to ensure that the investments selected are the most appropriate to sustainably manage forest resources. Project-financed grants are expected to require a match of 20% in beneficiary contributions, which may be in cash or in-kind. In addition, this sub-component will seek to address gender and social inclusion issues, in which community support and training methods will take into account the preferred methods of learning of women and others, e.g., single-sex groups, women-to-women exchanges.

Sub-component 2.2 Strengthening technical and business capacities of forest communities and enterprises to better manage forests. Under this sub-component, local technical advisors will support communities in developing and strengthening investment plans, optimizing processes, and conducting seminars to share experiences with other communities. The sub-component also aims to support communities in organizing and developing forest enterprises and community associations, and provide guidance on accessing markets for their products (timber and non-timber), and alliances with the private sector, in an effort to improve the profitability.

Component 3. Project management, monitoring and evaluation. This component will finance the operating

costs of a Project Implementation Unit (PIU) within MINAM's National Program of Forest Conservation for Climate Change Mitigation to carry out project oversight and management functions for Components 1 and 2. Support will be provided for procurement, financial management, coordination, social and environmental safeguard management, reporting, and monitoring and evaluation. The PIU will be responsible for coordinating with a FIP Steering Committee.

The **project area** lies within the Atalaya Province, in the Ucayali region of the east central Peruvian Amazon. Atalaya is one of the most important productive forestry regions of the country, with 3.98 million hectares of forests, of which almost 3 million are relatively well-conserved tropical forests. Around 64% of Atalaya´s population of about 47,000, are indigenous peoples, mainly from three Amazonian ethnic groups, Ashaninka, Yine and Asheninca, settled in approximately 50 communities that cover more than one million hectares of forest, many of whom are living in conditions of extreme poverty. Social indicators for Amazonian indigenous peoples are the lowest in the country, with high levels of chronic malnutrition, limited access to education and primary health care, and disproportionate levels of maternal and infant mortality. The classification of land use in the Atalaya province includes: (i) indigenous peoples territories totaling 1.46 million hectares, with some IPs still awaiting land allocation, regularization and/or titling; (ii) forty-six forest concessions under Permanent Production Forest areas, granted by the government to the private sector since 2001, and totaling 320,000 hectares (70% currently inactive or under inspection for lack of compliance with forestry laws and regulations); (iii) 6,000 hectares under irregular land holdings by 1,200 small and mid-size peasants and forest dwellers called "rivereños" and "colonos," most of them with unrecognized land rights; and (iv) a very small proportion of buffer zones of three protected areas (El Sira Communal Reserve, Otishi National Park and Alto Purus National Park); and (iv) protected areas that also contain large blocks of undisturbed forests totaling about 760,000 hectares.

11. **Consistency with Investment Criteria:**

Climate change mitigation potential:
It is anticipated that at the end of the project's five-year timeframe, there will be 6,211 ha of avoided deforestation, equivalent to 3,108,737 tCO_2-e.

The benefits of the project's avoided emissions are estimated taking into consideration the areas of direct intervention, with the following goals: 200,000 ha of timber forest management, 105,000 ha of non-timber forest management, 500 ha of agroforestry systems, 75,000 ha of areas for other forest products and services and 60,000 ha of implementation of enabling conditions (including titling and recognition of native communities) and a monitoring and surveillance system for deforestation and degradation of forests of the entire project area. In total, the area of direct intervention is 440,500 ha through which it is expected to achieve a gradual reduction of deforestation by 49% at the end of the project's implementation.

Demonstration potential at scale:
Deforestation trends and main drivers in the project area, such as uncertain property rights, limited institutional capacity for sustainable forest landscape management and governance oversight at local level, increasing population pressure including mainly from migration, infrastructure development including road and hydroelectric development, insufficient income diversification and promotion of sustainable small business enterprises and agricultural expansion all representative for many areas of the Amazon in Peru as well as in neighboring countries. Experiences and lessons learned from this project will inform the design of a landscape program on REDD+ currently under design with Bank support that is aiming to take interventions to scale. Experiences will further be useful for REDD+ interventions in the wider region.

Cost-effectiveness:
Key project benefits include increased productivity resulting in greater household financial capital and contributions to national-level economic growth, and improved capacities and knowledge in sustainable forest management practices. This will promote more environmentally sound land management practices, reduced degradation, and also the sustainability of project benefits. The selection of community investments within fixed budget constraints provide an incentive, which encourages prioritization of investments with maximized marginal returns. Productivity increases will be expected in agro-forestry systems. An economic analysis has been conducted using a 15-year time horizon and discount rate of 12%. Benefits are expected to be sustained through communities acquiring the knowledge and capacity to transform their practices and through widespread adoption by these beneficiaries of incentives linking economic returns to better environmentally sound management. Social and institutional networks will be strengthened benefiting the management of key forest and biodiversity resources, as well as the generation of economic returns.

Avoided emissions are valued using the official price of US$7.17 per ton of CO2. The benefits of the project's avoided emissions are estimated taking into consideration a total ares of direct intervention of 440,500 ha through which it is expected to achieve a gradual reduction of deforestation by 49% at the end of the project's implementation. It is anticipated that at the end of the project's five-year timeframe, there will be 6,211 ha of avoided deforestation, equivalent to 3,108,737 tCO2-e, with benefits estimated at 73,555,838 Soles (approximately US$ 22.8 million).

Implementation potential:
The project will be implemented within the context of the National Strategy on Forests and Climate Change, which also defines the long-term vision for mitigating climate change impacts in the forest sector and embeds the national REDD+ strategy. The project will further contribute to Peru's ambitions as per its Nationally Determined Contribution (NDC), which sets a target of a 30% reduction in emissions from the business as usual scenario by 2030. With well over half of national GHG emissions coming from land use change (predominantly deforestation), the proposed interventions on forests will contribute to addressing climate change, as well as offer opportunity to support economic diversification and poverty reduction.

The project will be implemented over a five-year period and follows the concept of community-driven development with communities taking responsibility for the choice, design and management of rural investments. Experienced locally-based consultants will facilitate community mobilization, participatory planning, rural investment planning and implementation, and will help build the technical and administrative capacities of these groups. Regional environmental authorities will be included in a review process of rural investment proposals. At the national level, a multi-stakeholder executive committee with cross-sectoral representation has guided design of the project and will continue to serve as the main oversight body for implementation of the project. The national executive committee further ensures high-level government coordination across the four different FIP projects in Peru, ensuring management and reporting at the FIP program level.

Integrating sustainable development (co-benefits):
Aside from climate mitigation benefits mentioned above, the main outcomes of the project will include strengthened land tenure security for indigenous communities, strengthened capacity for sustainable management of forest resources, diversified income opportunities, improved livelihoods and food security, and promotion of gender equality.

Environmental co-benefits beyond carbon sequestration and climate mitigation, include improved ecosystem resilience, regulation of water functions, micro-climate stabilization, soil fertility, biodiversity conservation, provision of genetic resources, and preservation of natural heritage and landscape beauty.

Safeguards:
The project is compliant with all relevant operational and safeguard policies of the World Bank. The project is classified as Category B given that the proposed investments (e.g., agroforestry, silviculture, and other landscape management measures) are not likely to result in significant adverse impacts on human populations and / or environmentally important areas. The project is likely to result in positive impacts for forest conservation.

Operational Policy on Environmental Assessment (OP 4.01) is triggered given that investments, although small in nature, will be carried out in the Peruvian Amazon region, a sensitive biodiversity hotspot already experiencing environmental degradation and natural resource depletion. An Environmental and Social Management Framework (ESMF) is being prepared as required by OP/BP 4.01 in order to screen, identify, avoid and mitigate the potential negative environmental and social impacts associated with project activities. This ESMF includes environmental and social aspects related to community forestry in the Peruvian Amazon region, as well as critical natural habitats sustained by these forests. The ESMF guides the preparation of site-specific safeguards instruments during project implementation and includes an exclusionary list, a screening plan for activities to identify, avoid, and mitigate any potential negative health, safety, and social impacts associated with project activities.

The ESMF takes into account the potential impact of activities, such as community forestry, silviculture, agro-forestry, sustainable management of forest landscapes, guidelines for sustainable exploitation of timber and non-timber products, value chain development, and access to markets. For instance, potential negative impacts may be linked to use of herbicides, pesticides and fertilizers and excessive use of machinery and equipment, technical advisors with a lack of adequate management experience, and workers' accidents due to inadequate working conditions. The ESMF provides the necessary recommendations to mitigate these potential impacts and measures and to ensure sound safeguards compliance during implementation. The ESMF will be consulted and disclosed on MINAM's website and the Bank's external website prior to appraisal.

Natural Habitats OP/BP 4.04. This policy is triggered given that project activities support forest management and conservation, as well as the number environmental and ecosystem services that natural habitats in the Peruvian Amazon provide. The ESMF addresses issues related to natural habitats and ecosystem services, and potential project impacts. Specifically, the ESMF will have appropriate screening criteria to ensure that impacts on natural habitats and biodiversity are properly evaluated. In addition, the ESMF will make clear that no project activities which involve significant conversion of natural habitats will be financed.

Forests OP/BP 4.36. This policy is triggered given that the project activities are likely to have positive impacts on forest management in indigenous groups' lands and territories as a result of implementing community forestry activities (including reducing deforestation and forest degradation). However, screening mechanisms will be incorporated into the ESMF to ensure that any potential small scale impacts on forests and forest dwellers will be mitigated through measures defined as part of the broader approach on natural habitats. In particular, small-scale and community forestry measures will follow applicable principles for sustainable forestry under the policy.

Pest Management OP 4.09. This policy is triggered as the project will finance forestry activities which might include the use of pesticides and fertilizers at tree nurseries. Reforestation activities could also trigger this policy depending on the methods selected to manage pests. The project will promote integrated pest management and the ESMF contains screening mechanisms to evaluate the use of pesticides, ensuring their responsible management and avoiding and mitigating associated environmental or health impacts. A stand-along pest management plan is not needed.

Physical Cultural Resources OP/BP 4.1. This policy is triggered on a precautionary basis, as project interventions are not anticipated to have a negative impact on any sites with the presence of physical cultural resources, including sites and areas of cultural and religious value to local communities. The ESMF will include provisions regarding how to protect known physical cultural resources and how to address chance finds.

Projects on International Waterways (OP/BP 7.50). This policy is not triggered as the project will not finance activities involving the use or potential pollution of international waterways.

Safety of Dams (OP/BP 4.37). This policy is not triggered as the project will neither support the construction or rehabilitation of dams nor will it support other investments which rely on services of existing dams.

Projects in Disputed Areas (OP/BP 7.60). This policy is not triggered as the project will not finance activities in disputed areas as defined in the policy.

During project preparation, a consultation process at national, regional and local level was conducted and included stakeholder dialogues and technical assessments. The integration of representatives from the two main Peruvian indigenous associations, AIDESEP and CONAP, into the project design team, further ensured that both associations were fully involved in concept development and design beyond their oversight function through participation in the national executive committee. An open and inclusive dialogue with local stakeholders as well as regular cross-sectoral coordination will be maintained throughout project implementation.

13. **Gender considerations:**

The project is taking a socially inclusive approach in which gender consideration have been integrated throughout the project design. This is of particular importance as indigenous women in the province of Atalaya face higher gender inequality than women in Peru in general, i.e., in terms of high fertility rates, low educational levels and high illiteracy rates and high levels of lacking documentation (access to identification papers). These variables are highly interrelated and pose significant barriers for indigenous women. On the other hand, there is now growing participation of women in the boards of indigenous organizations.

The project has been designed to reduce traditional gender gaps. Core indicators related to land users and beneficiaries will record results disaggregated by sex (see section 13 below) and monitor progress on gender equality during project implementation.

A number of activities will specifically aim to engage women, including activities on local forest governance, tenure security, and forest-based livelihoods. Gender awareness will be an integral part of technical capacity building activities and focus will be on supporting income-diversification and empowerment opportunities for women. To ensure women's participation in all investment plans, as a minimum requirement at least 20% of a plan's beneficiaries will need to be women. The project will advocate for strengthen tenure security for women by, for example, ensuring that both husbands' and wives' names are listed on tenure documentation and during registration processes. A gender-sensitive approach will be applied in every stage of the program and representation of women in steering committees and other leadership and decision making roles will also be encouraged.

14. **Indicators and Targets (consistent with results framework):**

Core Indicator	**Target**
Land area under sustainable landscape management practices (number of ha)	*380, 500 ha*
Target population of forest communities with use or ownership rights registered (number of people) Includes: (i) land holdings registered, demarcated and titled; (ii) forest management permits granted; (iii) participatory territorial zoning plans registered.	*1,500 households, or 7,500 individual beneficiaries*

Land users adopting sustainable land management practices as a result of the project (number) (of which female). Includes beneficiaries who receive general technical assistance and capacity building, as well as those beneficiaries who participate in the incentive grant program.	*2,300 households, or 11,500 individual beneficiaries (of which approx. 40% female)*
Share of target beneficiaries satisfied with their participation in forest and land-use interventions (Percentage) (of which female). Indicator will measure project beneficiaries considered "satisfied" according to criteria detailed in Operations Manual and measured by survey taken at project outset (baseline), mid-term, and closure.	70% (of which approx. 40% female)
Index for forest entpreneurship. This indicator measures the percentage of beneficiaries who move from one level of business development to the next. The index is expected to be comprised of the following dimensions: (i) Establishment and organization of forest enterprise, (ii) number of value chains, (iii) number of products sold on the market, and (iv) production volume.	*75%*
Intermediate Results Indicators	
Forest area under monitoring and surveillance	400,000 ha
Life plans approved by comunity	30
Number of communities implementing incentive projects	120
Questions / concerns addressed according to service standards	85%
Reduction in greenhouse gas emissions	3,108,737 tCO2-e

15. **Co-Financing:**

	Amount (in USD million):	*Type of contribution:*

16. Expected Board/MDB Management approval date:

March 15, 2018