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Report No: 96955-PE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED STRATEGIC CLIMATE FUND – FOREST INVESTMENT PROGRAM

(SCF/FIP) GRANT

IN THE AMOUNT OF

US\$5.5 MILLION

TO THE

WORLD WILDLIFE FUND PERU

FOR A

SAWETO DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES AND LOCAL

COMMUNITIES IN PERU PROJECT

August 19, 2015

Environment and Natural Resources Global Practice  
Latin America and the Caribbean Region

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## REPUBLIC OF PERU FISCAL YEAR

January 1 – December 31

### CURRENCY EQUIVALENTS

*(Exchange Rate Effective August 12, 2015)*

Currency equivalent = Peruvian Soles

3.24 Peruvian Soles = US\$1

### ABBREVIATIONS AND ACRONYMS

ACONAKKU	<i>Asociación de Comunidades Nativas Kukama Kukamiria del Distrito de Urarinas</i>
AIDSEP	<i>Asociación Interétnica de Desarrollo de la Selva Peruana</i>
ARPI SC	<i>Asociación Regional de Pueblos Indígenas de Selva Central</i>
CART	<i>Central Ashaninka del Rio Tambo</i>
CDD	Community Driven Development
COFOPRI	<i>Organización de Formalización de la Propiedad Informal</i>
CONAP	<i>Confederación de Nacionalidades Amazónicas del Perú</i>
CODEPISAM	<i>Coordinadora de Desarrollo y Defensa de los Pueblos Indígenas de la Región de San Martín</i>
CORPI SL	<i>Coordinadora Regional de los Pueblos Indígenas de San Lorenzo</i>
CORPIAA	<i>Coordinadora Regional de los Pueblos Indígenas de AIDSEP Atalaya</i>
DAR	<i>Derecho, Ambiente y Recursos Naturales (Law, Environment and Natural Resources)</i>
DGM	Dedicated Grant Mechanism for Indigenous Peoples and Local Communities
DRA	Regional Agricultural Office
ESMF	Environmental and Social Management Framework
FEPIBAC	<i>Federación de Pueblos Indígenas de Bajo Corrientes</i>
FECONACA	<i>Federación de Comunidades Nativas Campa Ashaninka</i>
FECONADIC	<i>Federación de Comunidades Nativas del Distrito de Callería</i>
FEMIAL	<i>Federación de Mujeres Artesanas de Loreto</i>
FENAMAD	<i>Federación Nativa del Río Madre de Dios</i>
FIP	Forest Investment Program
FM	Financial Management
GPS	Global Positioning System
GRM	Grievance Redress Mechanism
IBC	<i>Instituto del Bien Común</i>
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IPNC	Indigenous Peoples and Native Communities
MINAGRI	Ministry of Agriculture
NEA	National Executing Agency
NGO	Non-Governmental Organization
NSC	National Steering Committee
OCAM	<i>Organización de Comunidades Ashaninkas de Mazamari</i>
OCCAM	<i>Organización Central de Comunidades Aguruanas del Alto</i>
OM	Operational Manual

ORAU	<i>Organización Regional AIDSESP Uyacali</i>
ORPIAN	<i>Coordinadora Regional de los Pueblos Indígenas de la Amazonia Norte del Perú</i>
ORPIAN-P	<i>Coordinadora Regional de los Pueblos Indígenas de la Amazonia Norte del Perú</i>
ORPIO	<i>Coordinadora Regional de los Pueblos Indígenas del Oriente</i>
PDO	Program Development Objective
PETT	Special Program for Land Titling and Rural Cadastre
PETR I, II and III	<i>Proyecto Especial de Titulación de Tierras Rurales</i>
PI	Project Intermediaries
PROFONANPE	Peruvian Trust for National Parks and Protected Areas
REDD/REDD +	Reducing Emissions from Deforestation and Forest Degradation
REGOs	Regional Governments
SCF	Strategic Climate Fund
SUNARP	<i>Superintendencia Nacional de los Registros Públicos</i> (National Superintendent of Public Registries)
SUNAT	<i>Superintendencia Nacional de Aduanas y Administración Tributaria</i> (National Customs and Tax Administration)
UCIP	<i>Unión de Comunidades Indígenas Fronterizas del Peru</i>
WWF	World Wildlife Fund

Regional Vice President:	Jorge Familiar
Country Director:	Alberto Rodriguez
Senior Global Practice Director:	Paula Caballero
Practice Manager:	Raul Alfaro
Task Team Leader:	Kristyna Bishop



**PERU**  
**SAWETO**  
**DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES**  
**AND LOCAL COMMUNITIES**

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# PAD DATA SHEET

## Peru

SAWETO Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (P148499)

### PROJECT APPRAISAL DOCUMENT

Environment and Natural Resources Global Practice

Report No. 96955-PE

Basic Information			
<b>Project ID</b> P148499	<b>EA Category</b> B – Partial Assessment		<b>Team Leader</b> Kristyna Bishop
<b>Lending Instrument</b> Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ X ]		
Project Implementation Start Date 10/15/2015	Project Implementation End Date 09/15/2020		
Expected Effectiveness Date 09/30/2015	Expected Closing Date 03/01/2021		
Joint IFC: N/A			
<b>Practice Manager</b>	<b>Senior Global Practice Director</b>	<b>Country Director</b>	<b>Regional Vice President</b>
Raul Alfaro	Paula Caballero	Alberto Rodriguez	Jorge Familiar
<b>Responsible Agency:</b> World Wildlife Fund Peru			
<b>Contact:</b> Patricia Leon Melgar		<b>Title:</b> Peru Program Office Representative	
<b>Telephone No:</b> + 511 440 5550		<b>Email:</b> Patricia.Leon@wwfperu.org	
Project Financing Data (in US\$ Million)			
[ ] Loan	[ ] IDA	[ ] Guarantee	
[ ] Credit	[ X] Grant	[ ] Other	
Total Project Cost:	\$5.5M	Total Bank Financing:	\$5.5 M
Financing Gap:	00.00		
Financing Source			Amount
Total			5.50

<b>Recipient</b>				0.00						
<b>Strategic Climate Fund Grant</b>				5.50						
Total				5.50						
<b>Expected Disbursements (in US\$ Millions)</b>										
Fiscal Year	2016	2017	2018	2019	2020	0000	0000	0000	0000	000
Annual	0.6	1.9	1.0	1.0	1.0					
Cumulative	0.6	2.5	3.5	4.5	5.5					
<b>Institutional Data</b>										
<b>Practice Area / Cross Cutting Solution Area</b>										
Environment and Natural Resources										
<b>Cross Cutting Areas</b>										
<input checked="" type="checkbox"/>	Climate Change									
<input type="checkbox"/>	Fragile, Conflict & Violence									
<input checked="" type="checkbox"/>	Gender									
<input type="checkbox"/>	Jobs									
<input type="checkbox"/>	Public Private Partnership									
<b>Sectors / Climate Change</b>										
Sector (Maximum 5 and total % must equal 100)										
Major Sector	Sector		%	Adaptation Co-benefits %	Mitigation Co-benefits %					
Environment	Forestry		40	60	30					
Public Administration	Agriculture, Fishing & Forestry		60	40	70					
Total			100							
I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.										
<b>Themes</b>										
Theme (Maximum 5 and total % must equal 100)										
Major theme	Theme	%								
Social Development	Indigenous peoples	40								
Land administration	Community land titling	30								
Climate change	REDD+	30								

<b>Proposed Development Objective(s)</b>		
The <b>Project Development Objective</b> is to support Indigenous Peoples in Selected Communities in the Peruvian Amazon in their efforts to improve their sustainable forest management practices.		
<b>Components</b>		
<b>Component Name</b>	<b>Cost (US\$ Millions)</b>	
Component 1 - Native land titling in the Amazon	2.61	
Component 2 - Indigenous forest management	1.60	
Component 3 – Governance and sustainability	1.29	
<b>Systematic Operations Risk Rating Tool (SORT)</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Political and Governance	Substantial	
2. Macroeconomic	Substantial	
3. Sector Strategies and Policies	Substantial	
4. Technical Design of Project or Program	Substantial	
5. Institutional Capacity for Implementation and Sustainability	Substantial	
6. Fiduciary	Substantial	
7. Environment and Social	Substantial	
8. Stakeholders	Substantial	
9. Other		
<b>OVERALL</b>	<b>Substantial</b>	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes [ <input type="checkbox"/> ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ <input type="checkbox"/> ]	No [X]
Have these been approved by Bank management?	Yes [ <input type="checkbox"/> ]	No [X]
Is approval for any policy waiver sought from the Board?	Yes [ <input type="checkbox"/> ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ <input type="checkbox"/> ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04	X	
Forests OP/BP 4.36	X	

Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Grievance Redress Mechanism and Complaints Procedures		11/30/2016	
<b>Description of Covenant</b>			
The Grievance Redress Mechanism and Complaints Procedures put in place 60 days after effectiveness, as stated in the Legal Agreement Schedule 2, Section I.F.1.			
<b>Conditions</b>			
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>	
CSCF	Operational Manual adopted by the Recipient in a manner satisfactory to the Bank.	Effectiveness	
<b>Description of Condition</b>			
This Agreement shall not become effective until the Operational Manual has been adopted by the Recipient, World Wildlife Fund, Inc., as stated in the Legal Agreement Art IV 4.01 (a).			
<b>Team Composition</b>			
<b>Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Kristyna Bishop	Senior Social Development Specialist	Team Leader	GSURR
Selene del Rocio de la Vera	Procurement Specialist	Procurement	GGODR
Juan Carlos Enriquez Uria	ETC, Environmental Specialist	Environmental safeguards	GENDR
Gabriela Grinsteins	ETC, Legal Associate	Legal	LEGLE
Stamatis Kotouzas	Junior Professional Associate	Land Titling	GSURR
Mariana Montiel	Country Lawyer	Legal	LEGLE
Alexandra Niesslein	STC, Project assistant	Gender	GSURR
Dianna Pizarro	Senior Social Development Specialist	Social safeguards	GSURR

Jose Simon Rezk		Senior Financial Management Specialist		Financial management		GGODR	
Imad Saleh		Advisor		Operations		OPSRQ	
Carmen Andira Watson		STT		Administration		GSURR	
Non Bank Staff							
Name		Title			City		
Locations							
Country	First Administrative Division		Location	Planned	Actual	Comments	
Peru	Loreto (except Alta Amazonas)						
Peru	Ucayali (except Atalaya)						
Peru	San Martin (except Tarapoto)						
Peru	Junín						
Peru	Pasco						
Peru	Amazonas					Land titling only	
Peru	Madre de Dios					Land titling only	
Peru	Ayacucho					Community forestry only	
Peru	Huánuco					Community forestry only	
Peru	Cusco					Community forestry only	



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Peru is the third largest country in South America, with a total area of 1,285,216 square kilometers.** It is one of the most biologically mega diverse countries in the world and ranks second in South America and ninth in the world in terms of natural forests. At 73.3 million hectares, the Amazon is the largest of the three biological regions, covering nearly 61% of the country and 94% of the country's forests. Of this total, approximately 15 million hectares are currently either owned or managed by native communities.

2. **Despite its large size, the Amazon region is sparsely populated,** with only 13% of Peru's total population. 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. Average life expectancy for Amazonian indigenous peoples is between 15 and 20 years less than the national average.

3. **Peru's rate of deforestation is climbing.** The Food and Agriculture Organization identified an average annual loss of 150,000 hectares, between 2005 and 2010, which is around a 14% annual deforestation rate.<sup>1</sup> This is not high in the context of global deforestation rates but it is significant given the scale and status of Peru's forests and is showing an upward trend.

4. **Deforestation currently causes about half of Peru's greenhouse gas emissions (d.i.e./GDI 2014).** Peru's Forest Investment Plan indicates that the main drivers of deforestation are migration and agricultural expansion, and infrastructure such as road construction and unregulated timber extraction.<sup>2</sup> Most deforestation occurs in areas without legally assigned rights to land while territorial reserves, including indigenous lands and natural protected areas, consistently have the lowest deforestation rates.<sup>3</sup>

5. **Peru has a relatively strong legal framework regarding the rights of indigenous peoples.** A number of laws recognize the property ownership rights of native and *campesino* communities and provide for the establishment of land titling procedures. While titled native communities have the legal right to use the forests within their titled lands for subsistence and livelihood purposes under article 11 of the *General Law on Native Communities*, the national Constitution provides that renewable and non-renewable resources "belong to the nation." The Law on Prior Consultation requires consultation with indigenous peoples before the adoption of any legislative or administrative measures that could directly affect their collective rights, physical survival or quality of life, cultural identity or development.<sup>4</sup> It provides for consultations to take place before the "event," in good faith, in the language of the indigenous peoples affected, with timely information, over a reasonable time frame and through a process of intercultural dialogue. The law requires that any legislation should be interpreted "in accordance

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<sup>1</sup> Nature Services Peru 2012.

<sup>2</sup> Go to [https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP\\_SC.11\\_4\\_Peru\\_IP\\_.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP_SC.11_4_Peru_IP_.pdf) for the final approved version of the Peru FIP Investment Plan.

<sup>3</sup> See Table 1.3 in the Peru Forest Investment Plan regarding annual deforestation rates in Peru's Amazon, pages 49-53 of the final report on the Socio-Cultural Assessment and the map showing deforestation and native communities in Annex 6.

<sup>4</sup> <http://www.mcultura.gob.pe/sites/default/files/docs/reglamento-de-la-ley-nro29785.pdf>

with the obligations contained in International Labor Organization Convention 169” which Peru ratified in 1994, and the 2010 United Nations Declaration on the Rights of Indigenous Peoples.

## **B. Sector and Institutional Context**

6. **Forests provide a wealth of public services and private goods and services, including carbon storage, biodiversity, water filtration, storm mitigation, timber and non-timber products, wild foods and medicine and tourism.**<sup>5</sup> In addition, indigenous peoples retain a close relationship with the forests not only for their livelihoods and subsistence but also for their cultural and spiritual wellbeing. For them, the Amazon forest is an important source of materials for construction and tools, fibers for weaving clothing as well as traditional sources of medicine and food and the Amazon forest and floodplain provide ecosystem services such as water for irrigation and erosion control that are critical for subsistence based agriculture and food security.

7. **The natural resource-rich Amazon is increasingly attracting more and more companies seeking timber, oil and gas, and minerals as well as large industrial farms and ranches.** Forests in Peru are being cleared for easier access to these resources and in order to build the infrastructure that is needed to access them. Construction of roads in particular encourages other development and migration to areas that were previously inaccessible or at least somewhat isolated. This pressure and lack of tenure security has resulted in violent conflict when migrants or concessionaires (legal and illegal) come into contact with the people living in these areas.<sup>6</sup>

8. **The threat of violence, increased pressure on resources, and the ongoing demand for land and access to resources reduce the ability of people in those areas to continue their traditional ways of living.** Indigenous people are being forced to migrate to less productive areas. Lower productivity means limited yield, which reduces the amount of produce available for subsistence and trade; all of which increases the vulnerability and poverty of resource dependent communities.

9. **Reducing Emissions from Deforestation and Forest Degradation (REDD+) is one of a series of mechanisms that offer substantial economic incentives for the sustainable use and conservation of forests while also addressing the drivers of deforestation and forest degradation.**<sup>7</sup> Peru is a member of two major REDD+ mechanisms: the Forest Carbon Partnership Facility and the Forest Investment Program (FIP). Indigenous peoples in Peru have taken a strong and consistent position on REDD+ indicating that there can be no successful REDD+ mechanism in Peru without basic enabling conditions, such as the better recognition and enforcement of their collective rights. They are promoting REDD+ *Indígena Amazónica* which they explain is a more integrated and holistic approach that focuses on better governance and management of forest resources rather than the selling of carbon credits.

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<sup>5</sup> Center for Global Development, 2014.

<sup>6</sup> In June 2009, 71 people were killed in a series of conflicts between indigenous peoples and security forces near Bagua that were related to the protection of indigenous lands and the Amazon forest. In September 2014, four indigenous Ashaninka leaders from the Saweto community in Ucayali near the border with Brazil were killed trying to protect their lands and forests from illegal loggers: <http://news.nationalgeographic.com/news/2014/09/140911-peru-amazon-illegal-logging-chota-alto-tamaya/>. These social conflicts are gaining in prominence and frequency and are being regularly reported in both national and international media.

<sup>7</sup> REDD+ includes “the role of conservation, sustainable management of forests, and the enhancement of forest carbon stocks in developing countries.” This mechanism is being negotiated under the United Nations Framework on Climate Change.

**C. Relationship to Country Partnership Strategy with Peru (2012-2016)**

10. **The World Bank Group's Country Partnership Strategy 2012-2016 with Peru, discussed by the Executive Directors on March 13, 2012 (Report No. 66187-PE), focuses on addressing climate change by strengthening institutional and technical capacity at different decision-making levels and promoting more inclusive growth.** The Country Partnership Strategy indicates that the indigenous population, which accounts for one-third of Peru's total population and a large percentage of the rural population, persistently faces higher rates of poverty than the national average. Increasing threats to the forests and competition for the resources upon which many indigenous and forest-dependent peoples depend as well as higher vulnerability in terms of food security due to climate change and price shocks are likely to make these gaps larger and reduce the likelihood of inclusive growth. With regard to the forest sector, the Strategy also recognizes the need to address land tenure rights and support territorial planning strategies, particularly in the Amazon, and highlights the importance of a national forest strategy that focuses on the links between the forest and climate change to address threats such as deforestation and degradation.

11. **This Project directly supports and complements the Country Partnership Strategy and the World Bank's inclusive growth and shared prosperity agendas.** It will support climate change mitigation by investing in enabling conditions, such as legal protection and recognition, land tenure security, and the capacity building necessary to empower the communities living in and caring for the forests in the Peruvian Amazon to continue to steward one of the most important land based carbon sinks for greenhouse gases in South America. Beyond securing the physical and cultural survival of these communities, secure land tenure is essential for participation in any productive or income generating activity related to natural resource or forestry conservation and management, tourism or other entrepreneurial or income generating schemes. Security of tenure has also been found to have a significant impact on poverty and vulnerability as communities with secure tenure tend to have more secure access to traditional sources of food, medicine and higher levels of participation in national social protection or safety net programs. By supporting these kinds of investments and working directly with indigenous peoples, this Project is expected to make a solid contribution to addressing climate change mitigation and inclusive growth.

## **D. Higher Level Objectives to which the Project Contributes**

12. **The objectives of the proposed Project are consistent with the higher level objectives of the FIP and the Global Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) program.** The FIP was created as one of the targeted initiatives under the Strategic Climate Fund (SCF) and is intended to catalyze policies and mobilize funds to address deforestation and forest degradation, with a view to promoting more sustainable forest management, thus leading to reduced emissions and enhanced conservation of forest carbon stocks.<sup>8</sup> The Global DGM was created as a special window under the FIP to support initiatives by indigenous peoples and local communities in FIP pilot countries intended to strengthen their participation as informed and active players in FIP and other REDD+ processes at the local, national and global levels as well as in the design and implementation of country-specific Forest Investment Plans.<sup>9</sup> The Saweto Dedicated Grant Mechanism (Saweto DGM) is one of the country-level DGM projects.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

13. **The Project Development Objective is to support indigenous peoples in Selected Communities in the Peruvian Amazon** in their efforts to improve their sustainable forest management practices.

### **B. Project Beneficiaries**

14. **Eligible Project beneficiaries are the members of the approximately 2,250 native communities in the targeted regions in the Amazon,** and approximately 50% of the total beneficiaries will be women.

### **C. PDO-level Results Indicators**

	<b>Expected Results</b>
<b>Native communities recognized and registered</b>	310 native communities in the Amazon recognized by end of Project
<b>Native communities demarcated and title registered</b>	130 native communities with their land demarcated, titled and registered with SUNARP by end of Project
<b>Native communities with food security and income generating projects implemented in a satisfactory manner according to the standards established by the National Steering Committee (NSC)</b>	50 food security and 20 income generating subprojects implemented in a satisfactory manner according to the standards established by the NSC
<b>Native communities with sustainable timber projects implemented in a satisfactory manner according to the standards</b>	5 sustainable timber productive projects implemented in a satisfactory manner according to the standards established by the NSC

<sup>8</sup> For more information, please refer to the FIP Design Document ([link](#)).

<sup>9</sup> For more information, please refer to:

<https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/13-09-12DGMGuidelines-website.pdf>

established by the NSC	
<b>780,000 hectares of native community titled lands in high threat areas</b>	780,0000 hectares of land demarcated, titled and registered with SUNARP by end of Project

### III. PROJECT DESCRIPTION

#### A. Project Design and Components

15. **The Project will finance three Components and be implemented in two phases over five years.** Phase I will be implemented in Years 1, 2 and 3 with an indicative budget of US\$3.3 million. Phase II will be implemented in Years 4 and 5 with an indicative budget of US\$2.2 million.

#### **Component 1: Native land titling in the Amazon (US\$2.6 million)**

16. **Subcomponent 1.1 - Recognition and Registration.** This subcomponent will support the registering of indigenous peoples and native communities (IPNCs), located in selected Communities, in the National Registry of Native Communities, through (i) the provision of technical and legal assistance to IPNCs; and (ii) financing Recognition Subprojects and related Operating Costs of the IPNC Organizations. Priority during Phase 1 will be given to completing the formal legal recognition process for the 310 native communities in the Amazon that have not yet been recognized.<sup>10</sup> 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.

17. **Subcomponent 1.2 - Demarcation and Titling.** This subcomponent will finance the demarcation and titling process which establishes the geographic location and physical boundary for a native community's land and formally registers title for at least 130 native communities representing at least 780,000 hectares.<sup>11</sup> This will be carried out through: (i) the provision of technical and legal assistance to IPNCs; (ii) financing Titling Subprojects and related Operating Costs of the IPNC Organizations; and (iii) financing Operating Costs required for the Regional Agricultural Office (DRA) to carry out land titling activities. The Subprojects under this Subcomponent will be prioritized using the following criteria: (i) geographical balance among areas threatened by deforestation as identified in the Peru FIP Investment Plan; (ii) complementarity with other land titling investments;<sup>12</sup> (iii) economic feasibility; and (iv) other pragmatic considerations, such as competing or third party claims that may make it difficult to complete the titling within the Project period.

<sup>10</sup> AIDSESP 2014, IBC-SICNA 2014.

<sup>11</sup> This represents 11% of the approximately 1,166 native communities that are waiting for the demarcation and titling process to be initiated and/or completed.

<sup>12</sup> Efforts will be made to align the prioritization with the sequencing of the various projects that are also financing native community titling to avoid duplication. Other current efforts include the FIP subprojects in San Martin, Loreto and Ucayali, IDB PETR-3 and the Norway/Germany REDD initiative. However, the DGM will finance the recognition process for all remaining 130 native communities regardless of their potential coverage under other initiatives.

## **Component 2: Indigenous Forest Management (US\$1.6 million)**

18. **This Component will finance small scale community-based productive Subprojects that contribute to sustainable forest management and improve food security and income generation.** This Component will support carrying out agroforestry, food security, non-timber and timber Subprojects by IPNC organizations located in selected communities in eight regions: Loreto, Ucayali, San Martin, Junín, Pasco, Ayacucho, Huánuco, and Cusco. The Subprojects will be proposed by an individual or the community and will be evaluated by the NSC using the following criteria: (i) number of potential beneficiaries; (ii) economic feasibility and sustainability; (iii) evidence of broad community support for the Subproject; and (iv) contribution to the gender target. Each proposal will be required to show evidence of broad community support. This Component will also provide support for related Operating Costs of IPNC Organizations.

19. **This Component will be implemented in two phases.** In Phase 1, priority will be given to subprojects related to food security and community-based, small-scale agroforestry. Phase II will continue to support food security and agroforestry subprojects but also finance up to five small scale sustainable timber subprojects. In addition to the criteria above, timber subprojects also require that the community: (i) has titled community lands with an approved natural resource management plan that includes timber activities (subprojects will need to be consistent with the management plan); (ii) has no outstanding debts with the *Superintendencia Nacional de Aduanas y Administración Tributaria* (SUNAT); (iii) implements the subproject directly (no third party or company outsourcing); and (iv) can show clear and demonstrated access to a viable timber market. The important role of indigenous women in sustainable forestry management will be promoted with \$500,000 allocated for subprojects proposed and/or primarily managed by women.

## **Component 3: Governance and Sustainability (US\$1.29 million)**

20. **This Component will support the overall governance of the DGM and the day-to-day administration and financial management of DGM resources.** Financing will be provided for general project administration, financial management and technical assistance to the Project Intermediaries (PIs). This support includes: (a) the carrying out of secretariat activities for the NSC, including technical and financial support for the organization of NSC's meetings and the provision of technical assistance to support the NSC's approval process; (b) the provision of technical assistance to IPNCs for the preparation of Subproject proposals and the carrying out of Subprojects; (c) the carrying out of procurement, financial management and safeguard requirements under the Project; (d) the carrying out of annual Project audits; (e) overall Project monitoring and evaluation; (f) the establishment and operation of a Project-related grievance redress mechanism (GRM); and (g) financing Operating Costs of the Recipient. The National Executing Agency (NEA) will act as a Secretariat for the NSC and provide administrative and financial support for their meetings and technical support for the proposals and reporting. This Component will also finance the establishment and operation of a culturally relevant GRM<sup>13</sup> and a general communication strategy to inform native communities in the Amazon about the

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<sup>13</sup> The GRM that will be established and used during Project implementation is not mutually exclusive of any other mechanism established by the World Bank, such as the Inspection Panel.

Project, help ensure better coordination of complementary efforts and provide information about progress implementing the DGM to all relevant stakeholders in Peru.

## B. Project Financing

21. **The proposed Project will be financed by a grant from the Strategic Climate Fund in the amount of US\$5.5 million.** The proposed Project will be executed over five years (2015-2020). The FIP Subcommittee also approved annual supervision costs for the World Bank in the amount of US\$75,000 per year for five years.<sup>14</sup>

<b>Table 1: Project Costs and Financing</b>			
<b>Project Components</b>	<b>Proposed Project cost</b>	<b>FIP Financing (US\$)</b>	<b>FIP Financing (% of total)</b>
<b>1. Native land titling in the Amazon</b>	2,610,000	2,610,000	100
1.1 Recognition and Registration	930,000 <sup>15</sup>	930,000	100
1.2 Demarcation and Titling	1,680,000	1,680,000	100
<b>2. Indigenous forest management</b>	1,600,000	1,600,000	100
<b>3. Governance and sustainability</b>	1,290,000	1,290,000	100
<b>Total Project costs</b>	<b>5,500,000</b>	<b>5,500,000</b>	<b>100</b>

## C. Lessons Learned and Reflected in the Project Design

22. **The Project design team benefited from reviews of several previous World Bank operations in Peru and Brazil.** Key lessons from the Indigenous and Afro-Peruvian Peoples Development Project (P060499) were considered during the preparation of this Project.

<sup>14</sup> World Bank supervision costs are in addition to the resources being provided for the DGM activities and will be managed by the World Bank.

<sup>15</sup> Based on an approximate average cost of \$3000/community.

<b>Table 2: Lessons Learned and Incorporated in Project Design</b>	
<b>Lesson learned</b>	<b>How incorporated in DGM design</b>
Ensure that all the roles and responsibilities among the various implementation levels are absolutely clear at the outset.	The Operational Manual and Grant Agreement include details regarding the respective roles and responsibilities, decision making authority, requirement of broad community support for community proposals, conflict resolution, etc.
Simple design, light bureaucracy	Contracting and procurement by the NEA will be under the World Bank's policies and procedures but Community Driven Development (CDD) rules for procurement at the sub-project level and these rules and eligibility criteria will be clearly spelled out in the OM.
Stability in executing agency in terms of staffing and capacity is critical for timely and satisfactory execution	World Wildlife Fund (WWF) will employ a core team of two full time existing staff and three technical consultants with contracts of at least three years. WWF will also be required to add a land tenure specialist to the core team as well as a gender specialist if necessary during Project implementation. Any change in the core team will require a no-objection from the World Bank.
Direct investment at community level during implementation vs studies	All necessary data collection, analysis and related activities was completed and conditions required for immediate implementation were addressed during preparation.

23. **The Brazil Indigenous Lands Project (P006567), which regularized over 40 million hectares of indigenous lands in the Brazilian Amazon (nearly 20% of the total area), and the Special Program for Land Titling and Rural Cadastre (PETT I and II Projects) also provided important lessons.** A key factor contributing to the Project's success was the deep engagement and strong participation of indigenous leaders and communities from initial preparation through implementation. In Peru, the longest and most far-reaching land titling experience was the PETT I and II Projects. First approved in November 1992, Phase I focused primarily on individual titling on the Peruvian coast, followed by Phase II, which focused on individual and native community titling in the Andean region.<sup>16</sup> Some of the key lessons learned from this Project included a strong focus on community participation not only in terms of discussing Project components but also that titling itself should be a participatory process that includes the whole community. Participatory monitoring of progress with titling was also an important element of the design, especially given that many of the steps in rural titling will be undertaken in very remote areas where the community will be in a unique position to provide on the ground support.<sup>17</sup>

<sup>16</sup>The Inter-American Development Bank (IDB) has co-financed PETT since 1996. The third Phase of its support was approved in November 2014 and will finance individual, *campesino* and native land titling in several areas including the Amazon. The Project Document indicates that the goal is to title 190 *campesino* communities and 190 native communities by the end of the Project, which will partly co-finance the FIP subprojects in Atalaya, Madre de Dios and Loreto. There will thus be some overlap under the FIP but these areas were excluded from DGM eligibility.

<sup>17</sup> See Loan Proposal for the Rural Land Cadastre, Titling, and Registration Project in Peru – Third Phase PE-L1026 that was approved by the IDB Board of Directors in November 2014.

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

24. **The implementation arrangements reflect a strong commitment to a community driven and a highly focused approach to build the capacity of beneficiary communities to identify their own priorities and improve governance at the local level by direct participation in the implementation of the land titling and sustainable forestry subprojects.** The specific roles and responsibilities of the NSC, NEA, PIs and the World Bank are outlined in Annex 3 and the Project's Operational Manual (OM). Capacity building for the NEA, NSC and the PIs on key aspects of Project implementation, such as financial management and procurement, will be carried out during the first six months of Project implementation and are included in the Implementation Support Plan (Annex 4).

25. **The NSC will continue to provide overall governance for the DGM Peru.** The NSC was established by consensus between the *Asociación Interétnica de Desarrollo de la Selva Peruana* (AIDSEP) and the *Confederación de Nacionalidades Amazónicas del Peru* (CONAP) in July 2013.<sup>18</sup> The NSC will review and approve the annual work plan of the NEA and the master proposals submitted by the regional indigenous organizations, regional indigenous federations and/or coalition of organizations or federations acting as PIs for the beneficiary communities. The proposals will be reviewed for overall quality, economic feasibility, consistency with the FIP Investment Plan and FIP objectives and potential for meeting the Project indicators.

26. **WWF Peru, acting as the NEA, will provide day-to-day administration and financial management of the DGM, technical assistance for the PIs and act as the Secretariat for the NSC.** The NSC selected WWF Peru during a highly competitive and inclusive process. Furthermore, the World Bank completed a full financial management assessment of WWF Peru and recommendations were incorporated into the Project design. Specialized training on the World Bank's financial management and procurement policies, procedures, reporting requirements and safeguards have been included in the Implementation Support Plan (Annex 4) and the Financial Management Plan (Annex 8).

27. **In order to facilitate Project readiness and ensure consistency with their own internal policies and procedures, the NEA prepared the OM and participated in the preparation of the Environmental and Social Management Framework (ESMF).** The resources allocated for the DGM Peru will be disbursed to the NEA according to the provisions of the Grant Agreement. The NEA will assume full responsibility for the administration of grant resources, compliance with the World Bank's fiduciary and safeguard policies and procedures and all Project-related monitoring and reporting.

28. **The regional indigenous federations or organizations will act as PIs for the implementation of the master proposals.**<sup>19</sup> The NEA will enter into executing agreements with the PIs and provide technical support to them when requested. The executing agreement will clearly set out the responsibilities and obligations of both parties, confirm the final budget for the referenced activities, define procurement arrangements, disbursement arrangements, eligible expenditures and reporting requirements. The eighteen participating PIs are identified in the

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<sup>18</sup> See Annex 5 for a list of the current members of the NSC.

<sup>19</sup> A template for the executing agreements is included in the Project's OM.

Project's OM. The Project's OM and the ESMF provide more information regarding how subprojects will be identified and prioritized, as well as the safeguard provisions for subprojects.

29. **In 2013, a Supreme Decree designated the Ministry of Agriculture (MINAGRI) as the principal entity responsible for the National Agrarian Policy, which provides for the regulation of rural land tenure including native community land titling.** An office in MINAGRI (*Ente Rector*) has been established as the normative body responsible for standards, norms, and directives regarding agrarian policy, including technical specifications for cadastral surveying for rural land tenure. The *Ente Rector* will be consulted prior to starting any native community land titling in order to confirm the specifications and standards to be used for the native community titling process.

30. **At the local level, the regional governments (REGOs) and the DRA are critical players in the native community land titling process.** The DRA conducts the population census, socio-economic studies and the registration/recognition of the community which are required to qualify for native title. In the subsequent stage of physical demarcation and titling, the DRA participates in the legal reviews and establishes a working group that includes the native community or communities and other relevant regional or central agencies. In close collaboration and with the participation of the members of the native community, the DRA is also responsible for conducting the field visits to physically demarcate the perimeter of the land claimed by the community, geo-reference the boundaries (GPS coordinates) and request the soil classification.

31. **The native community's participation in the demarcation process will ensure broad community support for the final boundary proposal in the title application.** To date, AIDSEP and several REGOs have signed formal agreements (*convenios*) to facilitate the process of titling and demarcation of native community lands. The NEA will assist the NSC to complete agreements with the remaining REGOs in the Project area prior to beginning implementation of the Component 1 titling subprojects for that region.

## **B. Results Monitoring and Evaluation**

32. **There will be several levels of Project-related results monitoring and evaluation.** The DGM Global Executing Agency, Conservation International, will monitor high level indicators for the DGM program as a whole and incorporate results and lessons learned from each of the country level DGMs. These results will be shared during the regular meetings of the Global DGM Steering Committee and the FIP Sub-committee and as part of the global lessons learned and knowledge sharing component.

33. **During implementation, the NEA will be responsible for overall Project monitoring.** In close collaboration with the World Bank and the NSC, the NEA will establish a monitoring and evaluation plan based on the indicators established in the Results Framework and progress will be tracked against these indicators during implementation. The executing agreements with the PIs will also include the Project indicators relevant to the activities to be financed. The monitoring and evaluation plan will include at least two formal evaluations during the Project execution period (including a Mid-Term Review) and the parameters will be outlined in the Project's OM. The NEA will also be responsible for providing regular progress updates to the NSC and participating in implementation support missions to be undertaken by the World Bank and the NSC up to two times per year where progress relating to the indicators will be reviewed (up to three during the first year of implementation). A final evaluation will assess the

achievement of indicators, sustainability of results and identify lessons learned that can be shared with similar projects as well as part of the larger DGM learning component.

**34. Both the NEA and the NSC will be jointly responsible for monitoring progress on reaching the gender target** under Component 2.

### **C. Sustainability**

**35. There are high expectations for the long term financial sustainability of the Saweto DGM.** The innovative nature of the fully collaborative preparation process and the robust, yet flexible, design that directly reflects indigenous peoples' needs and priorities have already attracted the attention of several private funders, international donors and Non-Governmental Organizations (NGOs). WWF Peru and the National Steering Committee (NSC) have indicated a strong commitment to pursuing additional financing for the Saweto DGM.

**36. Focusing on building the capacity of the native communities to implement their own subprojects with the support of the regional indigenous federations and organizations will have transformative effects long after the end of the initial DGM implementation period.** It is clear that capacity at the community level is critical and increasing the ability to manage and govern at the community level will increase their overall effectiveness as key players in forest conservation. It is likely to have a long term positive impact on addressing deforestation and other threats to Peru's Amazon forests.

**37. The continued strengthening of the NSC could significantly improve indigenous governance institutions in Peru, making them more effective partners in development.** During Project implementation, training in governance and Board development will be provided on a continuous basis so that they can effectively participate in this Project and potentially establish a long term platform for use in other projects and initiatives. The Global DGM will also provide ongoing institutional strengthening for the NSC.

**38. A key element of the Global DGM program is learning and knowledge sharing.** Lessons learned during Project preparation and implementation will be broadly shared in order to promote replication and/or influence the design of other similar Project interventions. This is particularly timely and relevant in Peru, where there are numerous and simultaneous efforts currently underway to address native community land titling, community based forestry management, and REDD+ readiness. The Global NEA will coordinate with the Saweto NSC and Peru NEA to gather this information and share lessons learned with and from other country level projects.

## **V. KEY RISKS AND MITIGATION MEASURES**

**39. The overall risk for this Project is Substantial for both preparation and implementation.** This is largely due to the complexity of the investments (especially land titling), innovative institutional arrangements and the enormously challenging political and social context in which this Project will be implemented.

**40. The basic DGM design is predicated on broad and deep participation of Indigenous Peoples and Local Communities in all aspects of preparation and implementation.** This approach has ensured strong ownership at the local level and better coherence with the needs and interests of the intended beneficiaries, but it could also raise expectations among stakeholders that may not be met by the particular design of the Project or the resources currently available for the Saweto DGM. This risk has been mitigated during Project preparation through a fully

collaborative preparation methodology that has ensured a constant flow of information and communication regarding the Project between the World Bank and the potential beneficiaries. The team has been careful to manage the expectations of the NSC and the potential beneficiaries and Project activities were jointly identified and agreed. During Project implementation, a formal communication plan will be prepared by the NEA in order to establish a continuous flow of information about the Project, gather lessons for the Mid Term Review and final evaluation and track progress toward achieving the indicators. The flexible, community driven design will also allow for adjustments to be made during implementation.

41. **The basic design of the DGM poses serious challenges in the Peruvian context in terms of governance, because of the close and often overlapping relationship between the members of the NSC and the potential Project beneficiaries.** Maintaining a neutral separation between the governance function of the NSC members and their personal and/or political relationships with the potential beneficiaries at the community level and ensuring that there is no bias in the selection of the subprojects could prove challenging. This risk will be mitigated by conflict of interest guidelines for abstaining from a decision, clear eligibility criteria for the selection of the subprojects and the Project design itself that provides for two levels of separation between the decision makers and the beneficiaries; the PIs are members of either AIDESEP or CONAP but will be performing a technical assistance and direct implementation role for their respective communities rather than a political/advocacy role with AIDESEP and CONAP and the NEA will sign a Grant Agreement with the World Bank. The conflict of interest guidelines are included in the Project's OM.

42. **Implementation of some subprojects will be in remote locations and involve numerous and relatively small transactions which makes financial management and implementation more challenging.** In order to manage this risk, the team incorporated best practices from CDD projects into the Project design that clearly explain how these resources at the community level will be managed in a responsible and cost effective way. The NEA will work with the PIs to ensure that the budget is appropriate, provide a monetary advance so the PIs can undertake early implementation activities and that the policies and procedures used during implementation are simple and flexible. The NEA will have primary responsibility for ensuring World Bank policies and procedures regarding anti-corruption are followed at all implementation levels. Provision has also been made for a higher level of implementation support by the World Bank during the first 12 months of Project execution to help ensure a high level of fiduciary responsibility from the start.

43. **There are currently at least four major efforts underway to finance native land titling in the Amazon:** IDB's Rural Land Cadastre, Titling, and Registration Project in Peru – Third Phase, FIP, Norway/German Memorandum of Understanding, and the DGM. While this proliferation of resources will ensure that native community titling is advanced significantly over the next few years (and provides a serious motivation for it to be completed), it will require a high level of coordination among the various financial players, stakeholders and potential beneficiaries in order to maximize the resources and avoid duplication. This risk will be mitigated by regular meetings with project teams working on each of the above as well as regular communication with the National Forest and Climate Change program which is coordinating all of the various projects (with the exception of the DGM). Additional coordination efforts will be undertaken by AIDESEP and CONAP as part of their work as members of the NSC for the FIP,

which also includes many of the most relevant non-indigenous stakeholders and members of the other native community land titling projects.

44. **Demarcation and native community land titling in Peru is complex.** Despite the resources available under the Saweto DGM, there is a high risk that existing bureaucratic bottlenecks, lack of political will, a changing political economy and low capacity of the REGOs to carry out critical land titling activities could delay or derail the titling process. REGOs are key partners for native community land titling, but their capacity is low and they do not have much prior experience as they have only recently been assigned responsibility for rural land titling.

45. **There is also a risk that not all the REGOs have the same level of political commitment to native community land titling, given the political and economic realities and pressures at the local level.** Inter-institutional tension between MINAGRI and the REGOs regarding the functions related to the granting of rights for forestry resources and responsibility for managing resources has and will continue to negatively impact the pace of titling efforts. The NEA and the NSC will work closely during early implementation to sign agreements (*convenios*) with the REGOs. These agreements commit each party to work together to undertake native land titling and a signed executing agreement will be required before the NEA can transfer resources to the REGO/DRA for Project related travel.

46. **The team has reviewed the capacity assessment of the REGOs completed by the IDB as part of the preparation of its Phase 3 support.** Using this data, the NSC and the NEA will consider prioritizing the REGOs that have demonstrated capacity and political will either through already signed agreements with AIDESEP or CONAP or public statements. While primary responsibility for implementation of the activities to be financed under Component 1 with rest with the PIs, the NEA will also incorporate a native community land titling expert when required by the PIs to assist with the preparation and implementation of the land titling subprojects.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

47. **There are approximately 25 million hectares of forest land in the Peruvian Amazon without assigned rights.** The annual deforestation rate for lands without assigned rights is estimated at 0.2% compared to a slightly lower national average rate of 0.14% for titled lands. The average for titled native community lands is even lower at approximately 0.11%. While not egregious in a global context, deforestation in the Peruvian Amazon is on the upswing. This trend was confirmed in a recent study by the Rights and Resources Initiative that found that the absence of legal recognition or weak legal protection for lands represents a higher threat for deforestation.<sup>20</sup> A meta-study derived from 150 publications analyzed 118 cases of different forest rights, including community forests, and found that weak community rights are “tightly linked” to high deforestation, whereas strong rights are linked to low deforestation.<sup>21</sup>

48. **The lack of legally recognized property rights for native communities in Peru makes access to and use of existing forest management institutions and government initiatives**

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<sup>20</sup> World Resources Institute and Rights and Resources Initiative, “Securing Rights, Combating Climate Change” (2014).

<sup>21</sup> Robinson, B., M. Holland, and L. Naughton-Trevies (2013) “Does Secure Land Tenure Save Forests? A Meta-Analysis of the Relationship between Land Tenure and Tropical Deforestation.” *Global Environmental Change*. Doi10.1016/j.gloenvcha.2013.05.012.

**nearly impossible**<sup>22</sup>. It also severely limits access to capital, credit and permits.<sup>23</sup> There is evidence suggesting that land titling in favor of communities, rather than individuals, prevents the overexploitation of forests (or other natural resources),<sup>24</sup> although such communal ownership arrangements can be undermined by powerful private actors, especially in institutionally weak contexts and with limited state presence.<sup>25</sup> In the Peruvian Amazon, native communities, especially those without legally recognized property rights, are even more vulnerable as they have limited access to forest management incentives and concessions as most of these programs require secure land tenure as a prerequisite for eligibility.

49. **In addition to reducing deforestation, native land tenure security can be an important enabling condition for more effective public forest policy.** Titled land—implying some level of security and enforceability—provides for the more effective management of forest resources through monitoring and enforcement of national or local forest policy. It is also much easier to promote incentives for the sustainable use of forest resources because communities with secure land tenure tend to be highly motivated to better manage their resources and take advantage of incentive programs such as payments for environmental services and the voluntary carbon market. These communities also tend to be less vulnerable to unconscionable contracts that include terms such as granting an exclusive rights to log on their land; the so-called “carbon cowboy” clause.<sup>26</sup>

50. **Well-managed forest resources may also provide better food security and consistent access to important cultural resources such as medicines and sacred sites.** Community forestry management is actively promoted in much of Latin America as a potentially effective approach for the sustainable management of forests in general and for empowering communities to maximize the economic, social and cultural use of their titled lands.

51. **As a result of the above and in recognition of its generally transformative effect on a community, land tenure security and improved capacity to manage forest resources may help ensure that indigenous peoples and local communities benefit from REDD+ programs that reward carbon sequestration and forest conservation.** In some cases, these payments may be comparable with or even exceed any income generated by harmful land use activities such as cattle ranching.

52. **Payments under potential REDD+ mechanisms and other economic incentives for forest-dependent communities may have long term economic benefits and allow indigenous peoples and local communities to conserve their forests and increase the potential income they can generate from standing forests.** There is international consensus that community and rights based approaches such as those that will be financed by this Project are both cost effective and powerful approaches to protecting forests that will not only reduce emissions related to

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<sup>22</sup> Granoff, I.M.E. (2007) “Peruvian Forest Law: Seeing the People for the Trees”, *NYU Environmental Law Journal* 16:533-62.

<sup>23</sup> Larson, A.M., and J.C. Ribot (2007) “The Poverty of Forest Policy: Double Standards on an Uneven Playing Field”, *Sustainability Science* 2(2):189-204.

<sup>24</sup> Ostrom, E. (1990), *Governing the Commons: The evolution of institutions for collective action*. Cambridge University Press. Cambridge, UK.

<sup>25</sup> Engel, S. and R. Lopez (2008). “Exploiting common resources with capital-intensive technologies: the role of external forces” *Environment and Development Economics* 13(5):565-589.

<sup>26</sup> Sears, R. R., and M. Pinedo-Vasquez, “Forest Policy Reform and the Organization of Logging in Peruvian Amazon”, *Development and Change* 42(2):609-631.

deforestation but will contribute to poverty reduction, secure livelihoods and biodiversity conservation.<sup>27</sup> As a result, financing land titling, community based agroforestry and capacity building for better governance can be argued to be a cost effective and sustainable investment in the future of the Amazon.

## **B. Financial Management**

53. **The NSC selected the WWF Peru as the NEA for the Saweto DGM.** WWF Peru will be directly responsible for financial management (FM) tasks that include: (i) budget formulation and monitoring; (ii) cash flow management (including processing payments and submitting grant withdrawal applications); (iii) accounting records (including maintenance of an inventory of Project assets); (iv) preparation of in-year and year-end financial reports as required; (v) administration of underlying information systems; and (vi) arranging for external audits.

54. **A FM Assessment was carried out in accordance with OP/BP 10.00 and applicable guidelines.** The Assessment concluded that WWF Peru has prior experience with managing the fiduciary aspects of externally funded projects and has a basic administrative structure and systems (FM and internal control system to enable it to manage the fiduciary aspects of the proposed Project. The Assessment also identified specific actions to enable WWF Peru to monitor and effectively carry out the financial activities of the proposed Project and mitigate the identified fiduciary risks. More details on the FM Assessment and recommendations on improving the capacity of WWF to more effectively manage this Grant are provided in Annex 8 and reflected in the Project OM.

## **C. Procurement**

55. **Procurement for the proposed Project will be carried out in accordance with the Bank's, "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011, revised July 2014; "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, revised July 2014, the Guidance Note for Management of Procurement Responsibilities in CDD Projects, and the provisions stipulated in the Grant Agreement.** WWF Peru will be responsible for procuring goods, works and non-consulting services, as well as for selecting consultants. A procurement assessment was carried out in November 2014 to examine WWF Peru's: (i) organizational structure, (ii) facilities and support capacity, (iii) qualifications and experience of the staff that will work in procurement, (iv) record-keeping and filing systems, (e) procurement planning and monitoring/control systems used; and (v) capacity to meet the World Bank's procurement contract reporting requirements. The assessment that WWF Peru has experience working with other Multilateral Development Banks, despite not having experience working with the World Bank.

56. **The risks identified for this Project include: (i) low capacity of WWF Peru and/or the PI (regional organizations and federations) to conduct procurement according to the World Bank's guidelines; (ii) lack of skilled staff in procurement; and (iii) inadequate planning of procurement activities.** Mitigating measures include: (i) adequate implementation of the OM; (ii) establishment of a filing system for procurement documents (both central and regional); (iv) procurement training at the launch of the Project, and during implementation, as required; (v) the use of the Procurement Plan Execution System; (vi) hiring a partial or full-time

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<sup>27</sup> Center for Global Development, 2014.

skilled consultant, depending on work load, with knowledge of World Bank's procurement Guidelines; and (vii) procurement reviews conducted by independent auditors and/or World Bank staff.

#### **D. Safeguards**

**57. Responsibility for safeguard screening, scoping, impact assessment and mitigation and oversight will rest with three main counterparts:** (i) the NSC that will provide overall governance for the Saweto DGM; (ii) the NEA that will have primary fiduciary and safeguard compliance responsibility during Project implementation; and (iii) the regional indigenous federations and organizations that will be implementing the subprojects as PIs. Each of these counterparts will receive capacity building in safeguard implementation to ensure that they fully understand the principles and range of impacts covered by the World Bank's safeguard policies and that their responsibilities for compliance are clear.

#### **E. Social (including Safeguards)**

**58. A comprehensive Social Assessment was carried out.** This included an extensive desk review, field visits to all of the potential beneficiary regions in the Amazon, interviews and meetings with a wide range of stakeholders and a presentation of the initial results to the NSC during a technical workshop in September 2014. Feedback received was incorporated into the final report and the Social Assessment was disclosed on March 12th, 2015.

59. **The Social Assessment includes a comprehensive stakeholder analysis that groups key actors into four categories:** (i) *Communities* (native communities, Ribereña communities and *campesino* communities); (ii) *Colonos* (migrants that have moved to the Amazon from the highlands or the coast in the search for land and resources); (iii) *Public Sector Agencies* such as the DRA; and (iv) *Private sector* actors including NGOs, forest, hydrocarbon and mining concessionaires and illegal loggers.

60. **In terms of *Communities*, the Peruvian Amazon is home to approximately 2,250 native communities that are members of regional indigenous federations and organizations.**<sup>28</sup> These federations and organizations are members of one of the two national Amazonian indigenous organizations: AIDSEP and CONAP. Indigenous peoples living in isolation or initial contact are also within the Project area and the Project OM contains guidance on how to ensure that these populations are protected from any possible impact of Project activities.

61. **In addition, there are an estimated 2,400 Ribereña communities living in the Amazon including some in the Project area.** These are primarily “mestizo” (mixed) communities that have settled on the banks of the numerous Amazon tributaries and rivers and they share collective ethnic and cultural ties and traditions but do not generally self-identify as indigenous. The *Ribereña* communities frequently live very close to native communities and little conflict is reported; almost all discussions regarding land and resource boundaries are peaceful and consensus based. Recently, some *Ribereña* communities have begun to self-identify as native communities and, in principle, they will qualify for support under the DGM if they are able to satisfy the criteria for formal recognition, which is a pre-requisite for native community land titling under Peruvian law.

62. **The other significant population living in the Amazon, “colonos,” or farmers, have migrated from the highland or coastal areas.** These farmers generally settle in areas they consider to be “open” and after cutting down the forest for their plots, they cultivate the land or use it for cattle ranching. The negative impacts of these unsustainable agricultural practices were identified in both the Social Assessment and the FIP Investment Plan as one of the major threats to Peru’s forests and among the primary drivers of deforestation. Data regarding the numbers or socioeconomic characteristics of the “colonos” is unavailable as they often live in informal and only semi-permanent settlements. Screening will be carried out during the preparation of the subprojects to ensure that land titling does not take place in areas in which there are existing conflicts with *colonos*. The screening criteria is included in the OM and the process will be documented as part of the boundary agreements required for the native community land title application.

63. **The most critical public sector stakeholders are the REGO and DRA,** which have important roles to play in native community land titling under Peruvian law. Their roles and responsibilities are outlined above in Section IV on Implementation Arrangements.

64. **The World Bank’s Operational Policy 4.10 Indigenous Peoples is triggered for this Project.** As indigenous peoples are the Project’s direct and main beneficiaries, this Project is considered to be an Indigenous Peoples Project. The Project was jointly prepared with the NSC and in full consultation with indigenous leaders from the Project area. Two major consultations

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<sup>28</sup> See map of the Project area in Annex 6 that shows the location of these communities.

were held with the ten members of the NSC and the regional indigenous leaders in order to review the proposed Project design. Project documents including the OM and the ESMF were jointly reviewed, inputs incorporated and were continuously consulted and reviewed with the beneficiaries and the NSC. The Social Assessment identifies key community level decision making processes and the evidence required to verify broad community support for the land titling and community forestry subprojects and these are included in the OM.

**65. There will be no involuntary taking of land or restrictions of access to protected areas and therefore OP/BP 4.12 Involuntary Resettlement is not triggered.** All land demarcation under Component 1 will be carried out at the request and with the full participation of the community and without any expropriation of any kind. In order for the land demarcation process to move forward, a specific agreement is required by law where the native community and the people living within or adjacent to the borders of the proposed demarcation will confirm that all relevant parties agree on the proposed area to be demarcated. Non-indigenous people living in or occupying areas claimed by native communities can either be included within the community or they can remain separate and the parcel of land that they occupy can be excluded from the community title application. In most cases, this inclusion or exclusion and border determination process occurs without conflict. Cases where there is an existing or pre-identified conflict regarding boundaries or access will be considered ineligible for financing under this Project. Screening and assessment criteria will be integrated into the Project's OM.

#### **F. Environment (including Safeguards)**

**66. This Project is classified as Category B.** The Project is designed to generate positive environmental impacts through increased incentives to protect the forests and stronger capacity at the local level for forest and natural resource management. Potential negative impacts will be of limited scope and not be significant or irreversible. An ESMF was prepared to screen, assess, and mitigate the potential negative environmental and social impacts associated with the various lines of activities to be supported by the Saweto DGM. The ESMF outlines the process to prepare Environmental Management Plans for those activities that require such a Plan, especially those that may be in the proximity of environmentally sensitive areas, and provides specific guidelines to avoid or minimize risks and manage potential environmental impacts. Any subproject or activity considered to be Category A will not be eligible for funding by the Project. During preparation, efforts were made to ensure consistency with other relevant national processes such as the Forest Carbon Partnership Facility/REDD+ process in Peru, for which the IDB is the Delivery Partner, and the FIP. The ESMF was prepared in close collaboration with the NSC and an advanced draft was disclosed on March 25<sup>th</sup>, 2015. It was updated during appraisal and the final version was disclosed prior to negotiations.

**67. The Natural Habitats (OP/BP 4.04) policy is triggered because some of the community based agroforestry subprojects may have impacts on natural habitats.** The ESMF includes a description of the process to engage the different stakeholders during the implementation of the Project to avoid any conversion or degradation that may result from human activity associated with Project activities and a negative list of ineligible activities. Project activities will also promote sound practices in forest management, which may include innovative ideas to protect environmentally sensitive habitats. Subprojects that require degradation or conversion of natural habitats will not be eligible for financing.

68. **The Forests (OP/BP 4.36) policy is triggered as the proposed Project will be implemented in natural forest areas and support non-timber agroforestry and timber subprojects.** The ESMF includes a framework for the development of sustainable management plans or the assessment of existing plans for the timber subprojects and best practice guidelines for managing any Project related impacts.

69. **The Pest Management (OP 4.09) policy is triggered as the Project will finance agroforestry and non-timber forest products (NTFP) subprojects.** The work on agricultural production systems may involve pest management and the use of pesticides in some subproject activities. The ESMF includes screening procedures for pest management and pesticide use as well as guidelines for best practice in pest management. A Pest Management Plan will be required for subprojects likely to require pesticides or envisage changes in pest management practices. A negative list of prohibited pesticides and agricultural chemicals is included in the ESMF.

70. **The Physical Cultural Resources (OP/BP 4.11) policy is triggered as Project related activities may have an impact on the use of and access to areas with potential cultural significance** such as sacred sites. The principles of this Policy are fully integrated into the screening and mitigation planning processes described in the ESMF.

#### **G. Legal Safeguards**

71. **The International Waterways (OP/BP 7.50) policy is triggered as it is possible that a very small number of subprojects under Component 2 will support the improvement or establishment of fish farms.** These fish farms may use water from small, very upstream tributaries of the Amazon. The Amazon River and all its tributaries are considered international waterways for the purposes of OP 7.50. An exception to the notification requirement in paragraph 7 (a) of this policy was requested and approved by the Regional Vice President on June 8th, 2015.

#### **H. World Bank Grievance Redress Service**

72. **Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service.** The Grievance Redress Service ensures that complaints received are promptly reviewed in order to address project-related concerns. Project-affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)."

## ANNEX 1: RESULTS FRAMEWORK AND MONITORING

### PERU : SAWETO DGM FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES (P148499)

#### Project Development Objectives

##### PDO Statement

The **Project Development Objective** is to support Indigenous Peoples in selected communities in the Peruvian Amazon in their efforts to improve their sustainable forest management practices.

**These results are at** Project Level

#### Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	YR5			
Native communities recognized and registered	<input type="checkbox"/>	Number	0	180	250	310	310	310	Biennial	Implementation support missions, Technical reports, Mid-term and final evaluation	National Executing Agency
Native communities demarcated and title registered	<input type="checkbox"/>	Number	0	14	40	66	100	130	Biennial	Implementation support missions, technical reports, Mid-term and final evaluation	National Executing Agency
Native communities with food security and	<input checked="" type="checkbox"/>	Number	0	6	36	54	60	70	Biennial	Implementation support missions, technical reports,	National Executing Agency

income generating projects implemented in a satisfactory manner according to the standards established by the NSC (Phase I & II)										mid-term and final evaluation	
Native communities with sustainable timber projects implemented in a satisfactory manner according to the standards established by the NSC (Phase II only with limited eligibility)	<input checked="" type="checkbox"/>	Number	0	0	0	0	4	5	Biennial	Implementation support missions, Technical reports, Mid-term and final evaluation	National Executing Agency
780,000 hectares of native community titled lands in high threat areas <sup>29</sup>	<input type="checkbox"/>	Number	0	84,000	240,000	396,000	600,000	780,000	Annual	Technical reports, mid-term and final evaluation	National Executing Agency

<sup>29</sup> Assuming 6000 hectares on average per community.

Intermediate Results Indicators											
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Intended beneficiaries that are aware of project and agree with project supported investments	☒	Percentage	0	20	40	65	75	75	Biennial	Mid-term and final evaluation	National Executing Agency
Intended beneficiaries that are aware of project and agree with project supported investments - female	☒	Percentage Sub-Type Breakdown	0	20	40	65	75	75	Biennial	Mid-term and final evaluation	National Executing Agency
Direct project beneficiaries <sup>30</sup>	☒	Number	0.00	19700	30800	40700	44600	48100	Annual	Technical reports, mid-term and final evaluation	National Executing Agency
Female beneficiaries	☒	Percentage	0.00	40	40	45	50	50	Annual	Technical reports, mid-term and final evaluation	National Executing Agency and National Steering Committee
People directly employed or benefiting from food security and	☒	Number	0	60	360	540	680	820	Biennial	Technical reports, implementation support missions,	National Executing Agency

<sup>30</sup> Assuming an average of 200 persons per community and an average of 15 direct beneficiaries for each of the agroforestry subprojects.

income generation sub-projects										mid-term and final evaluation	
Number of grievances registered related to delivery of project benefits that are actually addressed	<input checked="" type="checkbox"/>	Percentage	0	40	60	80	100.00	100.00	Annual	Implementation support missions, mid- term review and final evaluation	National Executing Agency and National Steering Committee

**ANNEX 2: DETAILED PROJECT DESCRIPTION**  
**SAWETO DEDICATED GRANT MECHANISM FOR INDIGENOUS**  
**PEOPLES AND LOCAL COMMUNITIES IN PERU**

**A. The Forest Investment Program (FIP)**

1. The objectives of the proposed Project are consistent with the higher level objectives established for the FIP and the Global Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM). The FIP is a targeted program of the Strategic Climate Fund (SCF), which is one of two funds under the Climate Investment Funds. The SCF is a multi-donor trust fund established in 2009 to provide fast-track climate financing aimed at reducing deforestation and forest degradation in tropical countries, promoting more sustainable forest management, reducing emissions and enhancing the conservation of forest carbon stocks. The FIP was created as one of the targeted initiatives under the SCF and is intended to catalyze policies and mobilize funds to address deforestation and forest degradation, with a view toward promoting more sustainable forest management, thus leading to reduced emissions and enhanced conservation of forest carbon stocks (REDD+).<sup>31</sup> It supports and promotes investments in the following areas: (i) institutional capacity, forest governance and information; (ii) investments in forest mitigation measures, including forest ecosystem services; and (iii) investments outside the forest sector that are needed to reduce the pressure on forests. The FIP is under implementation in eight pilot countries—Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Laos People’s Democratic Republic, Mexico and Peru.<sup>32</sup>

**B. The Dedicated Grant Mechanism**

2. In each of the FIP pilot countries, efforts are also underway to prepare a DGM. The Global DGM was created as a special window under the FIP to support initiatives by indigenous peoples and local communities in FIP pilot countries that will enhance their capacity and strengthen their participation in the FIP and other REDD+ processes at local, national and global levels as well as in the design and implementation of country-specific Forest Investment Plans.

3. The principle objective for the Global DGM program is to, “strengthen the role of Indigenous Peoples and Local Communities in the FIP and other REDD+ programs at local, national and global levels by supporting capacity building and demand-driven initiatives of the Indigenous Peoples and Local Communities.”

4. The Global DGM has two components: (i) a country project in each of the eight FIP pilot countries; and (ii) a global project for knowledge sharing, capacity building, and strengthening of networks and partnerships among indigenous peoples and local community organizations in the pilot countries and beyond. The FIP Subcommittee approved the DGM’s basic design in October, 2011.<sup>33</sup> The Transitional Global DGM Steering Committee endorsed the foundational

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<sup>31</sup> REDD+ stands for “Reducing Emissions from Deforestation and Forest Degradation, and the role of conservation, sustainable management of forests, and the enhancement of forest carbon stocks in developing countries.” This mechanism is being negotiated under the United Nations Framework on Climate.

<sup>32</sup> For more information, please refer to the FIP Design Document ([link](#)).

<sup>33</sup> The DGM Design Document ([link](#)).

documents, such as the Framework Operational Guidelines, in September 2013.<sup>34</sup> The Board approved the Global DGM program framework (P128748) in March 2014. The Global DGM will be governed by a Global Steering Committee that includes representatives from each of the National DGM Steering Committees. Conservation International was selected by the Global Steering Committee to be the Global Executing Agency and they will be responsible for implementing the capacity building and knowledge sharing component.

5. In each of the original FIP pilot countries, efforts are underway to prepare a country level DGM that will be governed by a National Steering Committee (NSC) and implemented by a National Executing Agency (NEA). Country level DGM activities are expected to complement FIP investments and to take advantage of synergies where possible. The overall program criteria state that the country level DGMs must be: (i) aligned with the objectives of the DGM and the FIP; (ii) aligned with one or more thematic areas of the DGM (capacity development, promotion of rural livelihoods or investments in sustainable management of forest landscapes); (iii) complement the country's FIP investment plan and projects supported under it; (iv) designed and implemented under the initiative of indigenous peoples and local communities and directly benefit them; (v) based on inclusive and accountable processes; and (vi) compliant with the relevant operational and safeguard policies of the corresponding Multilateral Development Bank.

6. The Saweto DGM in Peru has been prepared jointly with the National DGM Steering Committee (NSC). The NSC was established by consensus between the two national indigenous representative organizations, AIDSEP and CONAP. Each organization has five members on the NSC. Together, they represent the majority of indigenous peoples in the Amazon.

### **C. Project Development Objective**

7. The **PDO** is to support Indigenous Peoples in Selected Communities in the Peruvian Amazon in their efforts to improve their sustainable forest management practices.

### **D. Project Beneficiaries**

8. Eligible Project beneficiaries are the members of the approximately 2,250 native communities in the targeted regions in the Amazon. In addition, \$500,000 of the total financing available for subprojects under Component 2 will be allocated for initiatives proposed or that will be primarily managed by women.

#### **a. PDO-level Results Indicators**

	<b>Results</b>
<b>Native communities recognized and registered</b>	310 native communities in the Amazon recognized by end of Project
<b>Native communities demarcated and title registered</b>	130 native communities with their land demarcated, titled and registered with SUNARP by end of Project
<b>Native communities with food security and</b>	50 food security and 20 income generating

<sup>34</sup> The DGM Framework Operational Guidelines:  
<https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/13-09-12DGMGuidelines-website.pdf>

<b>income generating projects implemented in a satisfactory manner according to the standards established by the NSC</b>	subprojects implemented in a satisfactory manner according to the standards established by the NSC
<b>Native communities with sustainable timber projects implemented in a satisfactory manner according to the standards established by the NSC</b>	5 sustainable timber productive projects implemented in a satisfactory manner according to the standards established by the NSC
<b>780,000 hectares of native community titled lands in high threat areas</b>	780,0000 hectares of land demarcated, titled and registered with SUNARP by end of Project

### E. Project design and components

9. **The Project will finance three components and be implemented in two phases over five years.** Phase I will be implemented in Years 1, 2 and 3 with an indicative budget of US\$3.3 million. Phase II will be implemented in Years 4 and 5 with an indicative budget of US\$2.2 million. This phased approach will allow for adjustments during implementation and to monitor progress toward achieving the indicators. There will be a mid-term review at the end of Year 3 to assess progress with implementation and to make any necessary adjustments. This is consistent with CDD guidelines and best practice.

10. **A key design feature is implementation of the subprojects by regional indigenous federations and organizations acting as Project Intermediaries (PI) under an executing agreement with the NEA.** The PIs are: ORAU, CORPIAA, FENAMAD, ARPI SC, CORPI SL, ORPIAN, ORPIO, ORPIAN-P, CODEPISAM, North Jungle Regional, East Jungle Regional, Central Jungle, South Jungle Regional and Regional Northeast Jungle (see acronym list for full names). These regional indigenous federations and organizations will receive resources from the NEA on behalf of their member communities to implement the subprojects. They will work with their constituent communities to identify and prioritize a set of subprojects (called “master proposals”) using the eligibility criteria outlined in the Project’s OM. There will be a maximum of 18 master proposals for Phase I and these will be submitted to the NEA for technical review and then to the NSC for approval.<sup>35</sup> The master proposals will contain a clear explanation of the process by which the subprojects were selected, explain how the set of sub-proposals support the PDO, explain any cost efficiencies or savings related to the particular set of subprojects as well as the community in kind support (*aporte comunitario*) and include activities to support the transversal themes of governance and gender inclusion. All subprojects/master proposals must include evidence of broad community support for the activities. The Project’s OM and the ESMF provide more information regarding how the subprojects will be identified and prioritized, as well as the safeguard provisions for the subprojects.

<sup>35</sup> These master proposals will not include the recognition sub-projects as they are not subject to prioritization. Each PI will negotiate a budget using the parameters outlined in the OM for the communities in their area of influence. The communities have already been identified in the OM.

## **Component 1: Native land titling in the Amazon (US\$2.6million)**

**11. This Component will finance the various steps in the land titling process** for native communities in the following seven regions: Loreto (except Alta Amazonas), Ucayali (except Atalaya), San Martín (except Tarapoto), Junín, Pasco, Amazonas and Madre de Dios.<sup>36</sup> Native communities in these regions will work with their respective PI to prepare proposals for registration and/or titling (called Component 1 subprojects). An initial list of the communities that have not yet been registered, completed demarcation or had their title registered with the *Servicio Nacional de Áreas Protegidas por el Estado* was developed as part of the social cultural assessment and land tenure study undertaken during preparation and it will be used as a basis for determining the priorities for Component 1.2. This initial list is consistent with data available from the Organization for the Formalization of Informal Property Rights (*Organización de Formalización de la Propiedad Informal* - COFOPRI).

**12. Subcomponent 1.1 - Recognition and Registration.** This subcomponent will support the registering of indigenous peoples and native communities (IPNCs), located in selected Communities, in the National Registry of Native Communities, through (i) the provision of technical and legal assistance to IPNCs; and (ii) financing Recognition Subprojects and related Operating Costs of the IPNC Organizations. Priority during Phase 1 will be given to completing the formal recognition process for the 310 native communities in the Amazon that have not yet been recognized<sup>37</sup>. Recognition of a native community as a legal entity is a prerequisite for initiating the land titling process. The recognition process is governed by Law 22175<sup>38</sup> and is under the mandate of the Ministry of Agriculture (MINAGRI). It culminates in the formal registration of the native community in the National Registry of Native Communities. A population census, socio-economic study and proposed definition of the type of native settlement (either sedentary or migratory) are carried out by the Regional Agrarian Authority (DRA). This information is included in the application for recognition that is formally presented by the native community and that must be supported by an *Acta* approved by their General Assembly or other governing body in the community. All native communities in the Amazon that have not yet been recognized will be eligible for support under this subcomponent regardless of their eligibility for financing under the other subcomponents.

**13. Subcomponent 1.2 - Demarcation and Titling.** This subcomponent will finance the demarcation and titling process which establishes the geographic location and physical boundary for the native community's land and formally registers title for at least 130 native communities representing at least 780,000 hectares.<sup>39</sup> This will be carried out through: (i) the provision of technical and legal assistance to IPNCs; (ii) financing Titling Subprojects and related Operating Costs of the IPNC Organizations; and (iii) financing Operating Costs required for the Regional Agricultural Office (DRA) to carry out land titling activities. The Subprojects under this Subcomponent will be prioritized using the following criteria: i) geographical balance among areas threatened by deforestation as identified in the Peru FIP Investment Plan; ii)

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<sup>36</sup>The exceptions are areas that will be covered by the FIP sub-projects.

<sup>37</sup> AIDSEP 2014, IBC-SICNA 2014

<sup>38</sup> Ley de Comunidades Nativas y de Desarrollo Agrario de la Selva y de Ceja de Selva (Decreto 22175).

<sup>39</sup> This represents 11% of the approximately 1166 native communities that are waiting for the demarcation and titling process to be initiated and/or completed.

complementarity with other land titling investments;<sup>40</sup> iii) economic feasibility; iv) other pragmatic considerations such as competing or third party claims that may make it difficult to complete the titling within the Project period. Financing will be provided for the technical and legal costs associated with the various steps of demarcation and titling of native communities' lands (consulting fees for technical and legal advisors for the regional indigenous federations and/or organizations and REGOs to assist with the preparation and processing of the titling application, transportation costs associated with physical demarcation process, the land classification process and equipment such as laptops and GPS and other expenses necessary to carry out the land titling process).<sup>41</sup> No salaries for REGO or DRA staff will be financed but DGM resources can be used to finance the travel costs incurred by the REGO or DRA for the physical demarcation process. Using current data available regarding the average cost per hectare combined with the average size of the native communities, it is estimated that the Saweto DGM could finance the demarcation and titling of at least 780,000 hectares or 130 average-sized native communities.

## **Component 2: Indigenous forest management (US\$1.6 million)**

**73. This Component will finance small community-based productive subprojects that contribute to sustainable forest management and improve food security and income generation.** This Component will support carrying out agroforestry, food security, non-timber and timber Subprojects by IPNC organizations located in selected communities in eight regions in eight regions: Loreto, Ucayali, San Martin, Junín, Pasco, Ayacucho, Huánuco and Cusco. The Subprojects will be proposed by the community as a group or by an individual member of the community. The Subprojects will be evaluated by the NSC using the following criteria: i) number of beneficiaries per subproject; ii) economic feasibility and sustainability; iii) evidence of broad community support for the subproject; and iv) contribution to the gender target. Each proposal will be required to show evidence of broad community support. This Component will also provide support for related Operating Costs of IPNC Organizations. A negative list of projects/activities that are not eligible for DGM financing is included in the ESMF.

**14. This Component will be implemented in two phases.** During Phase 1, priority will be given to subprojects related to food security and community-based, small-scale agroforestry. The average size for these grants will be \$20,000. Phase II will continue to support food security and agroforestry subprojects but also finance up to five small scale sustainable timber subprojects. The average size for these grants will be \$50,000. The decision regarding financing timber subprojects will be made by the NSC at least six months prior to the closing of Phase I (Year 3 mid-term). In addition to the criteria above, timber subprojects will also require that the

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<sup>40</sup> Efforts will be made to align the prioritization with the sequencing of the various projects that are also financing native community titling to avoid duplication. Other current efforts include the FIP sub-projects in San Martin, Loreto and Ucayali, IDB PETR-3 and the Norway/Germany REDD initiative. However, the DGM will finance the recognition process for all remaining 130 native communities regardless of their potential coverage under other initiatives.

<sup>41</sup> One of the conditions of effectiveness for the IDB's Phase 3 support is an amendment of the Supreme Decree to remove the requirement that applications for native land title registration include a soil classification. It has been argued for many years that this requirement is onerous and a major bottleneck for the native land titling process and it has limited relevance given that most native communities especially those in the Amazon are not going to be using their lands strictly for agricultural purposes.

community: i) has titled community lands that have an approved natural resource management plan that includes timber activities; ii) has no outstanding debts with the *Tributaria*; iii) implement the subproject directly (no third party or company); and iv) can show clear and demonstrated access to a viable timber market.

**15. For both Phase I and Phase II, \$500,000 will be allocated for subprojects proposed by women or that will be primarily managed by women.** Specific gender targets have been established in the Results Framework and the NSC and the NEA will be jointly responsible for ensuring that this target is met or exceeded during Project implementation.

### **Component 3: Governance and sustainability (US\$1.29 million)**

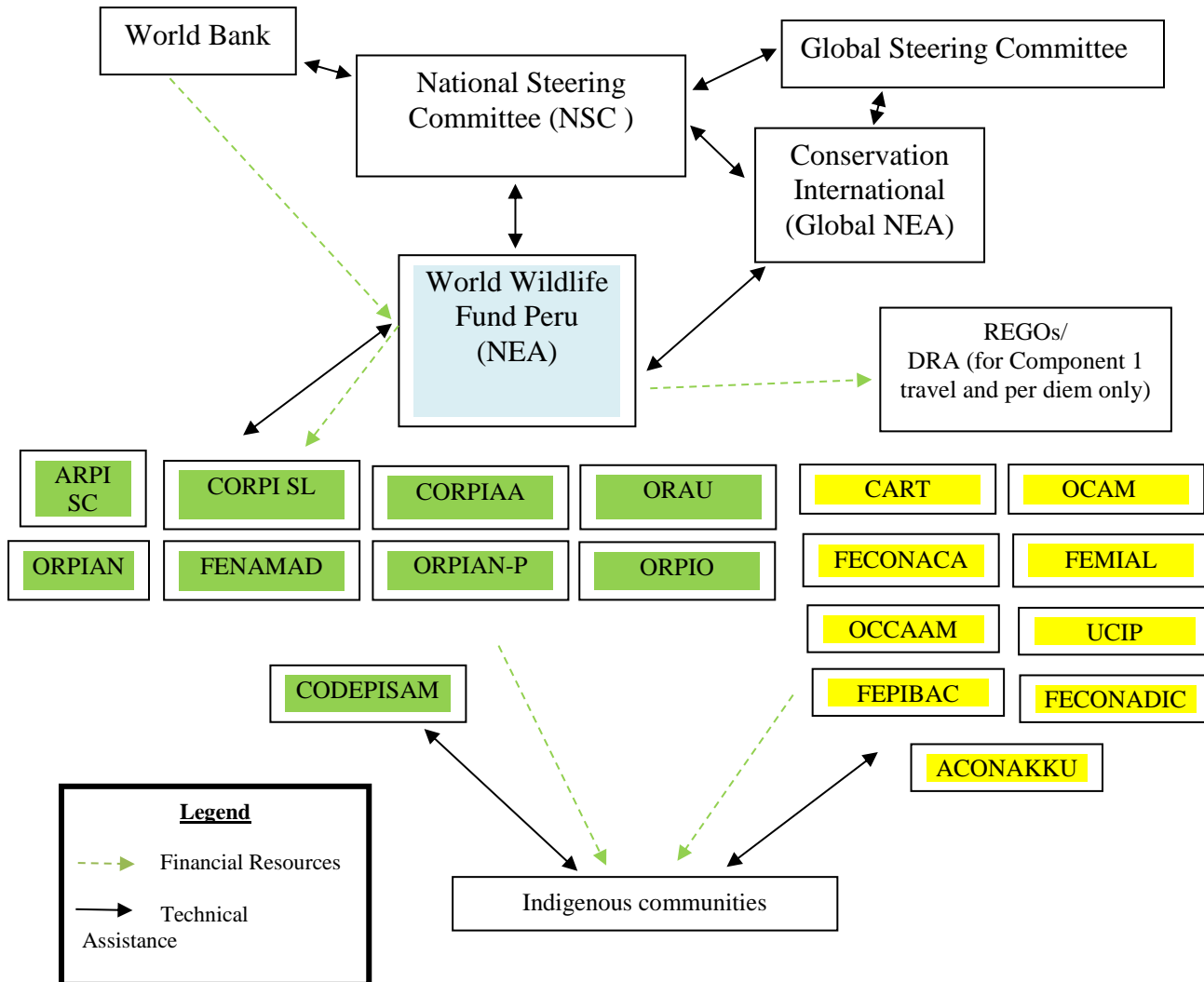
**16. This Component will support the overall governance of the DGM and the day to day administration and financial management of DGM resources.** Financing will be provided for general Project administration, financial management, and technical assistance to the PIs and Secretariat services for the NSC. This support includes: (a) the carrying out of secretariat activities for the NSC, including technical and financial support for the organization of NSC's meetings and the provision of technical assistance to support the NSC's approval process; (b) the provision of technical assistance to IPNCs for the preparation of Subproject proposals and the carrying out of Subprojects; (c) the carrying out of procurement, financial management and safeguard requirements under the Project; (d) the carrying out of annual Project audits; (e) overall Project monitoring and evaluation; (f) the establishment and operation of a Project-related grievance redress mechanism (GRM); and (g) financing Operating Costs of the Recipient. The NEA will act as Secretariat for the NSC and provide administrative, and financial support for their meetings, and technical support for the proposals and reporting. Two technical advisors for the NSC will also be financed under this component in order to support the subproject approval process, increase NSC capacity and contribute to long term DGM sustainability. These technical advisors will be recruited on a competitive basis and contracted directly by the NEA.

**17. This Component will also finance the establishment and operation of a culturally appropriate, Project-related Grievance Redress Mechanism (GRM).** The DGM Operational Guidelines require that each country level DGM has a culturally appropriate and accessible GRM. While serious conflicts are unlikely due to the highly participatory nature of the preparation of this Project and the basic design of the DGM that ensures that the beneficiary communities are identifying their own priorities for DGM investments, the NEA will be responsible for establishing a mechanism that will be used during Project implementation to address and resolve any Project-related grievances. In order to support the NEA in this task, a study was conducted during preparation to review existing GRM models in Peru (local, regional and national) and to examine any traditional or culturally appropriate mechanisms that are currently in use. While none of the GRM models reviewed during the study had been adapted to the particular needs of native communities, several culturally appropriate mechanisms were found to be functioning at the community level. These mechanisms are relatively robust and the NEA will be able to use them to better connect the communities to a project-specific GRM. The results of the study including several important recommendations have been provided to the NEA and they will refine the basic design jointly with the NSC within the first 6 months of Project implementation.

18. **In order to complement the work of the NSC and to ensure the continuing flow of information from the NSC/NEA to Project beneficiaries, the NEA will prepare and implement a more general communication strategy** that will inform native communities in the Amazon about the scale and scope of the Project, help ensure better coordination with other donors working in the same areas and provide information about progress implementing the DGM to all relevant stakeholders in Peru.

19. **The specific roles and responsibilities of the NEA are outlined in Section IV above** and the Project's OM that will be adopted before Project effectiveness.

**ANNEX 3: IMPLEMENTATION ARRANGEMENTS**  
**SAWETO DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES**  
**AND LOCAL COMMUNITIES IN PERU**



1. Based on lessons learned in other projects and in collaboration with the NSC, the implementation arrangements for the Project reflect a strong commitment to a community driven and highly focused approach that builds the capacity of the beneficiary communities to identify their own priorities and improves governance at the local level by directly participating in the implementation of the land titling and sustainable forestry subprojects. These implementation arrangements will greatly contribute to building capacity for better and more sustainable forest management in the long term. In addition to the details provided here, the roles and responsibilities of the NSC, NEA, PIs and the World Bank are outlined in the Project's OM. Capacity building in key aspects of Project implementation such as financial management and procurement have been prioritized for the WWF Peru, NSC and the PIs during the first six

months of Project implementation and are included in the Implementation Support Plan (Annex 4).

2. **The National Steering Committee (NSC) will continue to provide overall governance for the DGM Peru.** The NSC was established by consensus between AIDESEP and CONAP in July 2013. There are 10 permanent seats; five each for AIDESEP and CONAP.<sup>42</sup> The NSC will review and approve the master proposals submitted by the regional indigenous organizations, regional indigenous federations and/or a coalition of organizations or federations acting as PIs for the beneficiary communities.<sup>43</sup> The proposals will be reviewed for overall quality, economic feasibility, consistency with the FIP Investment Plan and FIP objectives and potential for meeting the Project indicators. The NSC will either recommend that the NEA enter into an executing agreement with the PI for the implementation of the subprojects or send the proposal back to the NEA and the PIs for further technical strengthening and resubmission. The roles and responsibilities of the NSC are outlined in the Regulations for the Peru DGM National Steering Committee that were shared with the Ministry of Environment and the World Bank in September 2013. These include principles of transparency, conflict of interest and accountability. The Regulations are consistent with the DGM Framework Operational Guidelines and they will be reviewed and updated during implementation to ensure consistency with the Grant Agreement and the Project's OM.

3. In partnership with the NEA, the NSC will also have an important role in the resolution of Project-related conflicts. The DGM Framework Operational Guidelines provide some generic principles for a Grievance Redress Mechanism (GRM) but given the unique nature of the Peru DGM, a local consultant was hired in June 2014 to conduct a desk review of existing grievance mechanisms in Peru (both local and national), interview relevant stakeholders and provide recommendations for the design of a culturally relevant GRM for the Saweto DGM. The recommendations were presented during a consultation meeting that was called specifically for this purpose on June 16<sup>th</sup>, 2014 in Lima. The results of the consultancy including basic principles of a culturally appropriate GRM, its importance for this Project and potential steps in the creation of a GRM were presented to the NSC, indigenous leaders from the Project area and the technical team. It was agreed that the main recommendations that will be incorporated into the design of the GRM for the Saweto DGM are: (i) wide dissemination of the structure and purpose of the GRM is important to avoid frustrations and misinterpretations; (ii) improve capacity of local organizations and communities so that they can play a role in resolving local disputes using traditional / indigenous resolution mechanisms; (iii) ensure that there is a continuous flow of information between all levels through culturally appropriate means accessible to everyone; (iv) establish a gender specific space and hire female staff members to conduct the outreach/communication work; (v) design should reflect the customs and norms of indigenous peoples; and (vi) establish a centralized GRM database that includes a website, geographic data and details of grievances, processing time and actions taken. The NEA has the primary responsibility for establishing the GRM in collaboration with the NSC and the respective roles and responsibilities regarding the NEA and the NSC in the functioning of the GRM will be

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<sup>42</sup> See Annex 5 for the list of current members of the NSC.

<sup>43</sup> The OM will outline the eligibility criteria for the PIs.

reflected in the Project's OM and the NSC Regulations. More details are provided in the Project's OM.<sup>44</sup>

4. In addition, the NSC is also expected to: (i) participate in meetings of other national REDD+ committees and FIP institutions in order to ensure that DGM lessons are shared with other ongoing national processes; (ii) seek regular feedback from indigenous beneficiaries regarding the DGM implementation, identify needs, collect and send ideas to the Global Steering Committee for possible support under the Global Component; and (iii) raise additional funds through other programs and mechanisms.

5. **World Wildlife Fund Peru will provide the day-to-day administration and financial management of the DGM, technical assistance to the PIs and support the work of the NSC.** The NSC selected WWF Peru during a highly competitive and inclusive process that included: (i) a Call for Expressions of Interest that began on July 16, 2014; (ii) circulation of Terms of Reference to candidates that met the basic qualifying criteria on Aug 19, 2014; (iii) special meeting of all members of the NSC on Sept 26, 2014 to review the technical and financial proposals submitted; and iv) formal notification of the results of the selection process on October 13, 2014. A full financial management assessment was completed by the World Bank during preparation and the recommendations incorporated into the Project design. Specialized training in the World Bank's financial management and procurement policies, procedures, reporting requirements and safeguards have been identified and are included in the Implementation Support Plan and Financial Management Plan. In order to facilitate Project readiness and ensure consistency with their own internal policies and procedures, the NEA prepared the OM and actively participated in the preparation of the ESMF. The resources allocated for the DGM Peru will be disbursed to them according to the provisions of the Grant Agreement. As with all Grant Recipients, the NEA will assume full and primary responsibility for the administration of grant resources, compliance with the World Bank's fiduciary and safeguard policies and procedures and all Project-related monitoring and reporting. They are responsible for ensuring that they have adequate staff with the technical profiles required especially with regard to native community land titling and small scale community based agroforestry in addition to financial management, procurement and safeguards. The NEA will also be responsible for bulk procurement of goods that are common to all subprojects including equipment, fuel, motors for boats in order to promote cost efficiencies where possible.

6. **The NEA will facilitate the NSC's work and provide the World Bank with operational and financial reports, including progress toward achievement of the PDO.** The NEA's principal responsibilities are reflected in the Project's OM and the Grant Agreement including:

- Serve as Secretariat to the NSC. This includes providing logistical and financial support for meetings and providing Project related reports when required;

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<sup>44</sup> The GRM will ensure that all complaints received from beneficiaries or other stakeholders related to financing decision, representation in the NSC or Global Steering Committee or the governance of the program will: (i) have a properly written record; (ii) receive timely resolution of issues; and (iii) be publicly reported (with regard to complaints received and actions taken on each complaint). Regardless of the nature of the grievance, the DGM will ensure that a transparent, timely and fair process is adopted to address each complaint.

- Ensure timely implementation of all Project activities and monitor such activities as well as report on progress achieving the Project indicators. This includes preparation of the draft proposal for the annual plan of activities, signing of the executing agreements with the PIs, and disbursement of funds for the implementation of the subprojects;
- Prepare terms of reference for any training and/or capacity-building activities required by the PIs or the beneficiary communities;
- Ensure appropriate use of DGM funds, reporting to the World Bank on the allocation and use of funds including annual audits and ensuring that procurement is carried out in accordance with World Bank rules and procedures, including the preparation of procurement plans when applicable;
- Ensure that each master proposal includes monitoring indicators that support the Project PDO and the Results Framework;
- Maintain all documentation on DGM financed subprojects and prepare progress, results and financial reports (and other Project-related documents as necessary) as outlined in the Grant Agreement;
- Ensure compliance with the World Bank's Operational Policies triggered for the Project and the ESMF prepared for the Project;
- Facilitate the World Bank's supervision missions jointly with the NSC;
- Maintain communication and technical dialogue with the PIs and provide information and assistance to beneficiaries as required;
- Manage the Project level Grievance and complaints Redress Mechanism (GRM); and
- Provide information as necessary to the DGM Global Steering Committee and the Global Executing Agency.

7. **As with all Grant Recipients, the NEA will assume full and primary responsibility for the administration of grant resources, compliance with the World Bank's fiduciary and safeguard policies and procedures and all Project-related monitoring and reporting.** During Project implementation, the NEA will enter into executing agreements with PIs for the implementation of the master proposals and subprojects and will provide technical support to the PIs when requested. They will also be responsible for procurement of goods that are common to all subprojects including equipment, fuel, motors for boats if necessary etc.

8. **Implementation of the subprojects will be undertaken directly by PIs.** In order to be eligible to act as a PI, the regional indigenous federation or organization must have legal personality and be explicitly requested by the community to act in this capacity.<sup>45</sup> The participating PIs are: ORAU, CORPIAA, FENAMAD, ARPI SC, CORPI SL, ORPIAN, ORPIO, ORPIAN-P, CODEPISAM, CART, OCAM, FECONACA, FEMIAL, OCCAAM, UCIP, FECONADIC, FEPIBAC and ACONAKKU.<sup>46</sup>

9. **The PIs will prepare master proposals for financing under this Project.** The master proposals will include a minimum of three subprojects and cover an execution period of 18-24

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<sup>45</sup> The eligibility criteria are outlined in the Project's OM.

<sup>46</sup> Please see acronym list for full names.

months. The PIs will work directly with the beneficiary communities to provide technical assistance and help them identify, prioritize and prepare the master proposals. The PIs will: i) ensure that subprojects meet the eligibility criteria outlined in the OM; ii) assist with the preparation of a budget for the subprojects/master proposal and identify any potential cost efficiencies and/or savings; iii) identify how the subprojects might contribute to the gender target established for Component 2; and iv) prepare an implementation plan to cover the execution period.

10. **Once the proposal is approved by the NSC, the NEA will enter into an executing agreement with the PI and provide technical assistance when requested.**<sup>47</sup> The executing agreement will clearly set out the responsibilities and obligations of both parties, confirm the final budget for the referenced activities, define procurement arrangements, disbursement arrangements, eligible expenditures and reporting requirements. Any additional training – administrative or technical - needed in order for the PIs to successfully implement the subprojects will be identified in the executing agreement and will be provided by the NEA. The signing of these agreements will be a prerequisite for the PIs to receive a reasonable monetary advance so that they can undertake important pre-implementation activities such as community meetings or purchasing equipment. This monetary advance will not require any form of Bank guarantee. Subsequently, funds will be transferred in tranches from the NEA to the PIs to execute the master proposal according to the schedule established in the implementation plan and the executing agreement. The subprojects will be implemented with the full participation and will require evidence of the broad community support of the beneficiary community or group of communities. The NEA will provide technical support to the PIs during subproject implementation upon request.

11. **In 2013, a Supreme Decree designated MINAGRI to be the principal entity responsible for the National Agrarian Policy, which provides for the regulation of rural land tenure.** At the national level, an office in MINAGRI (*Ente Rector*) has been established as a normative body that is responsible for standards/norms/directives regarding agrarian policy, including technical specifications for cadastral surveying for rural land tenure. They will be consulted prior to starting any native community land titling in order to confirm the specifications and standards to be used for the native community titling process.

12. **At the regional level, the regional governments (REGOs) and the Regional Agriculture Office (DRA) are critical players in the native community land titling process; the DRA is the entity responsible for conducting the population census, socio-economic studies and the actual physical registration of the community so that they can apply for native title.** In the subsequent stage of demarcation and titling, the DRA participates in the legal reviews and establishes a working group that includes the native community/ies and other relevant regional or central agencies. In close collaboration and with the participation of the members of the native community, the DRA is also responsible for conducting the field visits to physically demarcate the community land perimeter, geo-reference the boundaries (GPS coordinates) and request the soil classification. It should be noted that the native community will participate in the demarcation process and they will need to provide their broad community support for the final proposal for the boundaries that will be included in the title application.

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<sup>47</sup> A template for the executing agreements is included in the Project's OM.

13. **After the demarcation process has been completed, DRA submits the necessary documentation and final legal opinion to the National Superintendent of Public Registries (SUNARP) so that the native land title can be registered and formally issued for the community.** The NEA will sign executing agreements with the DRA in order to transfer resources for travel and per diem costs associated with the participation of DRA staff members in the physical demarcation process. No DGM resources will be provided for any staff or overhead costs of the DRA.

14. **The World Bank will provide implementation support to the NSC and the NEA especially regarding compliance with fiduciary, procurement and safeguard policies.** However, the World Bank will not participate in any of the NSC decision-making processes. The World Bank's administrative costs for Project preparation and supervision will be financed from the reserve fund under the FIP and in accordance with Climate Investment Fund benchmarks for Project preparation and supervision.

### **Financial Management, Disbursements and Procurement**

15. One of the lessons learned from similar Projects is that financial management and procurement need to be simple and flexible in order to avoid adding a disproportionate burden on the regional indigenous federations and organizations that will be responsible for implementation. The team has relied on the CDD best practice guidance in order to design these systems while ensuring a high level of accountability and efficiency.

#### ***Financial Management***

16. **WWF-Peru will be responsible for financial management (FM) tasks for the proposed Project.** These include: (i) budget formulation and monitoring; (ii) cash flow management (including processing payments and submitting credit withdrawal applications); (iii) maintenance of accounting records, including maintenance of an inventory of fixed assets for the Project, (iv) administration of underlying information systems, (v) preparation of in-year, Mid Term and year-end financial reports/audits; and (vi) arranging for the external audits.

17. **WWF-Peru has the capacity necessary to administer the financial aspects of the proposed Project, including a basic administrative structure and FM systems in place.** Under this arrangement, WWF-Peru will be responsible for the flow of funds, procurement of goods and services, making Project payments, financial reporting and other related fiduciary activities. WWF-Peru will carry out FM functions with its existing staff and will be required to maintain professional staff in numbers and with qualifications and experience acceptable to the World Bank as described in Project's OM. WWF will hire a dedicated FM Specialist for this Project within three months of effectiveness. More details regarding the FM Plan can be found in Annex 8.

#### ***Procurement***

18. **Procurement for the proposed Project will be carried out in accordance with the World Bank's Guidelines: Procurement Under IBRD Loans and IDA Credits" dated January 2011, revised July 2014; "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, revised July 2014, the Guidance Note for Management of**

Procurement Responsibilities in CDD Projects, and the provisions stipulated in the Grant Agreement. The various items under different expenditures categories are described in general below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame, are agreed between the Borrower and the World Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvement in institutional capacity.

19. **Procurement of Works:** no Civil Works are expected.

20. **Procurement of Goods:** goods to be procured under the Project include (but are not limited to): laptops, GPS, tents, motor boats, IT equipment (computers, printers, and digital camera), software licenses, etc. Use of International Competitive Bidding procedures for procurement of goods are not expected. National Competitive Bidding procedures may be followed for contracts estimated to cost less than US\$ 500,000 equivalent. Shopping procedures may be followed for contracts estimated to cost less than US\$ 50,000 equivalent. Whenever feasible, goods will be grouped in packages. The procurement will be carried out using Sample Standard Bidding Documents agreed or satisfactory to the World Bank. In the case of goods and that might be required for several master proposals and/or subprojects and where it is more economical to aggregate them, the NEA will undertake the procurement process on a bulk basis. This includes goods that might be more economical to purchase in bulk such as the purchase of laptops, GPS, tents, motor boats etc. To the extent possible and with the guidance of the World Bank's procurement team, the NEA will use simplified procurement procedures such as shopping especially for goods that will be purchased on the local market near the beneficiary community.

21. **Non- Consulting Services:** non-consulting services under this Project will include legal and other technical assistance that might be required for the implementation of the master proposals and/or subprojects.

22. **Individual Consultants:** consulting services that may be required by the Project include (but are not limited to): consulting fees for technical and legal advisors for the regional indigenous federations and/or organizations to assist with the preparation of the titling application. Individual consultants will be selected by comparison of qualifications of three candidates and hired in accordance with the provisions of the Chapter 5 of the World Bank's Consultant Guidelines.

23. **Consulting firms:** although no consulting firms are foreseen to be hired during implementation of the Project, when necessary, they will be hired by the NEA. Most contracts for firms are expected to be hired using Quality-Cost Based Selection method. Specific types of consulting services, as agreed previously with the World Bank in the Procurement Plan may be hired with the use of the following selection methods: Quality-Based Selection, Selection under a Fixed Budget, Selection Based on the Consultant's Qualifications, Least Cost Selection and Single-Source Selection. Procurement will be carried out using the World Bank's standard Request for Proposals.

24. **Operating Costs:** expenses including transportation costs associated with physical demarcation process and the soil classification process, travel, per diem, office supplies, medicines; which will be financed by the Project and procured using comparison procedures, whenever possible and the NEA's administrative procedures acceptable to the World Bank.

25. **Procurement in the Subprojects:** the Project will finance demand-driven subprojects proposed by the organizations and federations. Procurement funded under subprojects or master proposals will be carried out with the use of CDD procedures, following to the extent possible shopping procedures and comparison of CVs, as described in the Project's OM. Requests for quotations must indicate the description of specifications of goods. An evaluation of quotations must be provided, and the terms of the accepted offer be incorporated in a brief contract. The selection of individual consultants will be based on the comparison of qualifications and criteria such as academic background, experience, knowledge of local conditions and language, and overall suitability for the assignment. The comparison of qualifications will be carried out of at least three candidates who shall meet minimum relevant requirements. The consultants will be selected on the basis of the best qualified among the candidates considered for a particular assignment.

### ***Procurement Plan***

26. **Simplified procurement plans may be prepared, based on an indicative list of eligible activities to be implemented.** The procurement plan will be updated in agreement with the Project team, at least annually or as required to reflect actual Project implementation needs. The Procurement Plan will be available and updated through the Procurement Plan Execution System.

### ***Supervision of the Project***

27. **WWF will provide oversight of the entire procurement processes and will conduct ex-post reviews of procurement and field visits to ensure every payment is supported by the level of physical implementation and quality specifications.** On the World Bank's side, in addition to the prior review supervision to be carried out from World Bank offices, annual supervision missions are recommended, to visit the field and to carry out post review of procurement actions.

### **Thresholds for Procurement Methods and Prior Reviews**

28. Thresholds recommended for the use of the procurement methods specified in the Project procurement plan are identified in the table below, which also establishes thresholds for prior review:

<b>Expenditure Category</b>	<b>Contract Value (Thresholds) US\$ thousands</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review</b>
<b>1. Goods and Non-Consulting Services</b>			
	>250	ICB	All
	50 – 250	NCB	First
	<50	Shopping	First
	<50	Community Participation under Subprojects	None
	Regardless of value	DC	All
<b>2. Consulting Services</b>			
<b>Firms</b>			
	>100	QCBS, QBS, FBS, LCS	>100, <100 only Terms of Reference
	<100	QCBS, QBC, FBS, LCS, CQS	Only Terms of Reference
	Regardless of value	SSS	All
<b>Individuals</b>		3 CVs	>50

		DC	All
<b>Note:</b> ICB = International Competitive Bidding; NCB = National Competitive Bidding; DC = Direct Contracting; QCBS= Quality and Cost Based Selection; QBS= Quality Based Selection; FBS= Fixed Budget Selection; LCS= Least Cost Selection; CQS= Selection Based on Consultant's Qualifications; SSS= Single Source Selection			

### **Procurement Special Provisions**

29. In addition and without limitation or restriction to any other provisions set forth in this Section or the Procurement Guidelines, the following provisions shall govern the procurement of goods, and works with National Competitive Bidding procedures:

- (a) Foreign Bidders shall not be required to be locally registered as a condition of participation in the selection process.
- (b) No reference value shall be required for publication in the bidding documents or used for the purpose of evaluation.
- (c) Award of contracts shall be based exclusively on price and, whenever appropriate, shall take into account factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.
- (d) Foreign Bidders shall be allowed to participate in without restrictions and shall not be subject to any unjustified requirement which will affect their ability to bid such as, but not limited to, the requirement to authenticate their bidding documents or any documentation related to such bidding documents with either Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a prerequisite of bidding.
- (e) The Borrower, through the UCP, shall use standard bidding documents and standard evaluation formats, all satisfactory to the World Bank.

30. In addition and without limitation or restriction to any provision set forth in this Section or the Consultant Guidelines, the following provisions shall govern all employment of consultants referred to in the Grant Agreement:

- (a) Foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.
- (b) Foreign consultants shall not be required to authenticate any documentation related to their participation in the selection process with either Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.
- (c) The Borrower shall use standard requests for proposals and standard evaluation formats, all satisfactory to the World Bank.
- (d) Foreign consultants, either individuals or firms, shall not be required to pay fees to the Peruvian Consultants' Association that are different from those required for Peruvian consultants.
- (e) No consultant hired for the Project, at the time he or she is carrying out his or her contractual obligations as a consultant, may hold civil service office or any other position in any agency of the Borrower, nor shall such consultant have any right to re-entry into any such office or position upon the conclusion of his or her consulting services.



## **ANNEX 4: IMPLEMENTATION SUPPORT PLAN**

### **SAWETO DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES (P148499)**

1. This Project Implementation Support Plan describes how the World Bank, public entities and other development partners will address the risk mitigation measures and provides the technical advice necessary to facilitate achieving the PDO and the results/outcomes identified in the Results Framework. This Plan also identifies the minimum requirements to meet the World Bank's fiduciary obligations and reflects lessons learned from similarly situated projects.
2. There is limited experience with this kind of innovative approach among the institutions that will be involved in the implementation of the Project. The NSC has high capacity for governance but will need to be supported by the NEA in terms of reporting and monitoring PDO indicators and building their capacity to function as an effective governing institution versus political representatives. The WWF has good administrative capacity and has implemented over US\$25 million in bilateral and private foundation grants since 2000 but has limited experience with land titling or working directly with the World Bank as a Grant Recipient. The World Bank will provide guidance and technical support and will ensure that each entity receives the support necessary to fulfil their obligations and responsibilities.

#### **Implementation Strategy - Potential Risks**

3. There are substantial political and social risks that may negatively impact implementation. This is due to the nature of the investments to be financed by the Saweto DGM (especially land tenure which is always controversial), the generally complex political context in Peru and the innovative nature of the joint preparation and design of the Project. Although public perception of the Project is likely to be positive, there could be conflicts resulting from confusion regarding the scope of the Project investments and high expectations regarding the scope and impact of the Project activities. It is highly possible that non-indigenous inhabitants in the targeted regions – *campesinos*, *riberños* and *colonos* - will be interested in benefiting under the Saweto DGM and will be unhappy to learn that they are not eligible. This risk will be partially managed by the social communication plan that WWF-Peru will prepare and implement during the first six months of Project implementation. The communication plan will explain that the land titling component of the Saweto DGM is limited to native communities but that there are other sources of financing for titling private lands, *campesino* communities and native communities. For this reason, constant coordination with all the agencies and entities involved in the various land titling investments currently being prepared or implemented in Peru is necessary to ensure full and effective coverage and avoid duplication of efforts; this includes the Ministry of Environment, MINAGRI, IDB/FIP, Germany & Norway among others.
4. This is the first Project that the World Bank is preparing directly and jointly with indigenous peoples represented in Peru by AIDSEP and CONAP in their function as the National DGM Steering Committee. There has been a significant learning curve on both sides during preparation but it has provided a good foundation for a new relationship that will be critical for successful implementation. After Project approval, the World Bank's formal, legal

relationship will be with the NEA. The NSC has indicated that they want a closer relationship with the World Bank than what was originally envisioned in the DGM Operational Guidelines and this will be discussed during early implementation.

5. There is some implementation risk related to the implementation arrangements and the selection of a non-indigenous NGO with limited experience working with the World Bank. It is likely that the World Bank will have to provide more implementation support than anticipated in the original DGM design documents especially given that the Saweto DGM will be financing investments in land titling and community forestry rather than soft investments such as training, capacity building and communication. Involving WWF Peru early in the process has been critical. They participated in the Appraisal mission and prepared the Project's OM with the support of the World Bank and the NSC.

### **Administrative and Fiduciary Flexibility**

6. The disbursement profile/schedule for the Saweto DGM has been carefully calibrated to follow the anticipated timing of the approval of the master proposals/subprojects. For example, the first disbursement will be relatively small as early implementation is a period of organization, capacity building and prioritization. There will be a large disbursement during the first six months for the recognition subprojects and then a much larger disbursement in Year 2 just prior to the scheduled approval of the land titling and community subprojects.

7. For procurement, general procurement by the NEA will follow World Bank policies and procedures. Procurement for goods and services by the PIs for the implementation of the master proposals will be more flexible and follow CDD-type rules. These expenditures will be clearly outlined in the proposal and reflected in the executing agreements and will be limited to costs that are eligible expenditures such as fuel for boats, office supplies, and the like, that are listed in the OM. The NEA will undertake any bulk procurement of goods that are common to all and which will be more cost effective to procure together (GPS, laptops).

8. An annual audit of Project financial statements will be conducted by an independent auditing firm in accordance with terms of reference acceptable to the World Bank. The annual audits will be paid by the NEA per the terms of the Grant Agreement.

### **Specific Activities during Project Preparation**

9. Tables 4.1 and 4.2 provide the main activities to be carried out and respective skills/resources required for Project implementation.

**Table 4.1: Implementation Support Plan**

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate</b>	<b>Roles &amp; Responsibilities</b>
Prior to approval and first twelve	Establishing fiduciary systems in WWF and provide training in World Bank policies	Procurement and FM expertise  FM and social/	To be included in annual operating plan (\$8,000)	WWF to provide staff, space and equipment  WB will provide

months	<p>and procedures (FM, procurement, safeguards)</p> <p>Training and capacity building for regional indigenous federations and organizations (financial management, procurement and safeguards)</p> <p>Establish system to monitor implementation of the ESMF/prepare Environmental Management Plans if necessary</p> <p>Communication plan prepared with NSC</p>	<p>indigenous peoples specialist</p> <p>Environmental/safeguard specialist</p> <p>Communications specialists</p> <p>Organization of a pre-implementation workshop during Project launch</p> <p>Legal expertise and political support to engage relevant agencies and partners such as REGOs and DRA</p>		training and support
13-48 months	<p>Project's procurement process functioning</p> <p>ESMF in place and being used</p> <p>Frequent updating of the Project's monitoring and evaluation system</p> <p>Annual audit</p> <p>World Bank supervision missions</p>	<p>Procurement and FM expertise</p> <p>Environment/Land titling/Community forestry specialists</p> <p>Social/indigenous peoples' specialist</p> <p>Technical expertise in selected sectors</p> <p>Monitoring and evaluation specialists</p>	To be included in the Annual Operating Plan (\$4000)	
Project Completion	Impact evaluation and sustainability planning	Impact evaluation experts	Final audit to be paid directly by the World Bank (\$50,000)	

**Table 4.2: Skills Mix Required**

<b>Skills Needed</b>	<b>Number of Staff Weeks (SW)</b>	<b>Number of Trips</b>	<b>Comments</b>
TTL and Safeguards (social, indigenous peoples, and environment)	10-12 SWs per FY for first 12 months and 8-10 thereafter (mainly senior technical staff)	Three trips for first year, two trips per year thereafter	Given the substantial risk rating, the World Bank has committed to a high level of implementation support during the first year
Institutional capacity strengthening (FM, procurement, disbursement)	14 SWs per FY (mix of junior and senior technical staff)	One trip per fiscal year	
Technical expertise enhancement (PA, land-use planning, Monitoring and Evaluation, Knowledge sharing, technical support)	5 SWs per FY (mix of junior and senior technical staff)	Two trips per fiscal year	

**ANNEX 5: MEMBERS OF THE NATIONAL STEERING COMMITTEE  
FOR THE  
SAWETO DEDICATED GRANT MECHANISM  
FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES IN PERU<sup>48</sup>**

1. Henderson Rengifo Hualinga (AIDSESEP)
2. Roberto Espinoza Llanos (AIDSESEP)<sup>49</sup>
3. Klaus Quicque Bolivar (AIDSESEP – FENAMAD)
4. Hamner Maniguari (CORPI y Vice Presidente AIDSESEP)
5. Nery Zapata (CORPIAA y 2da. Vocal AIDSESEP)
6. Oseas Barbaran Sanchez (CONAP)
7. Marilen Estela Puquio Arturo (CONAP)
8. Héctor Minguillo Chaname (CONAP)
9. José Tamani Ihuaraqui (CONAP)
10. Juan Ramos Paredes (CONAP)

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<sup>48</sup> Current as of March 10, 2015.

<sup>49</sup> Designated member of Global DGM Steering Committee.

## ANNEX 6: MAP OF THE PROJECT AREA



## **ANNEX 7: DGM GRM FRAMEWORK OPERATIONAL GUIDELINES GRIEVANCE REDRESS MECHANISM AND COMPLAINTS PROCEDURE**

1. It is possible that a grievance related to a grant award decision, representation in the NSC or Global Steering Committee, or the governance of the program may arise during implementation. Irrespective of the nature of the grievance, the NSC and the NEA will ensure that a transparent, timely and fair process is established and used to address each complaint. This chapter provides the framework for a grievance redress mechanism (GRM) and complaints handling process under the DGM. More details are provided in the Project's OM.

### **A. Communication and Access to Information**

2. This information will be provided on the Global Executing Agency and NEA websites as well as radio and other culturally appropriate means of communication. Documents and reports will be translated into Bahasa, French, Spanish and Portuguese as necessary.

3. The NEAs and the Global Executing Agency will maintain open lines of communication and actively reach out to the stakeholders. Information on DGM implementation will be shared with stakeholders through websites and through information-sharing meetings organized for this purpose.

4. The NEAs and Global Executing Agency will regularly review feedback received, respond to questions and comments on their websites and report to the NSC and Global Steering Committee regarding actions taken. This is an important part of their responsibility under the DGM.

### **B. Complaints Handling Process**

5. The name and contact information of the staff member will be on the website and printed brochures of the program. The designated staff member will acknowledge complaints within 10 business days with a written response to the complainant, detailing the next steps it will take, including escalation to the NSC or the Global Steering Committee Grievance Sub-Committee level where appropriate.

6. If the NEA cannot resolve the issue, the grievance should be elevated to the NSC. If the NSC cannot resolve the issue, it will elevate to the Global Steering Committee. The time taken for the NSC to resolve complaints brought to its attention will be specified in the Country Operational Manual of the respective country. Because the Global Steering Committee meets infrequently, a Grievance Sub-Committee of the Global Steering Committee will be formed to handle escalated grievances upon request.

7. It is expected that the majority of grievances filed can and should be resolved on the spot by the dedicated staff member within the NEA. Further detail is available below and in a grievance handling manual that each NEA will be responsible for producing. Complaints can be submitted by phone, SMS, fax, email, regular mail, or in person. Anonymous complaints can be made by phone or through a letter.

8. Where possible, complainants will be handed a receipt and a flyer that describes the DGM and the GRM procedures, which will be read to them at their request.

9. Each Country Operational Manual will provide the contact details for receiving questions and complaints, as follows:

10. The NEA will record all complaints received in a publicly accessible online system that will allow complaints to be tracked and monitored. The system will track and report on:

- ☐ number of complaints received
- ☐ number and percent of complaints that have reached agreement
- ☐ number and percent of complaints that have been resolved
- ☐ number and percent of complaints that have gone to mediation
- ☐ number and percent of complaints that have not reached agreement

11. The database will also report the issues and geographic areas generating the most complaints. The information provided by the database is expected to help the NEA and Global Executing Agency improve the mechanism and better understand and address the social impacts of the projects. All feedback and complaints received will be displayed on the DGM website with complaint numbers to help the complainant in tracking progress. In the countries, this information will be available in a more culturally appropriate manner, depending on local circumstances.

12. **Assess, Assign, Acknowledge:** If the complaint is related to decisions on grant applications by the NSC, the complaint should be referred to the NSC. If it relates to Multilateral Development Bank policies, a staff member from the respective country office of the Multilateral Development Bank may be invited by the NSC to its meeting to interpret the relevant policy. If the matter is not resolved, it will be referred to the Grievance Sub-Committee of the Global Steering Committee.

13. If the complaint does not fall under the mandate of DGM operations at the country level, but relates to (i) the policies of the DGM as a whole, (ii) the governance of the DGM in the country, or (iii) complaints that could not be resolved at lower levels, the matter will be taken to the Grievance Sub-Committee of the Global Steering Committee.

14. **Resolution and Closure:** In each instance, the written response will indicate which entity (i.e. the NEA, NSC or Global Steering Committee) will handle the complaint. That entity will then seek agreement on an approach with the complainant. The parties will engage in the process, implement the agreed actions, and record the outcome.

15. **Feedback and /or complaints regarding the DGM may be sent to:**

Name of Organization and name of individual:

Address: \_\_\_\_\_

Email: \_\_\_\_\_

Phone number: \_\_\_\_\_

**Name of Global Executing Agency and staff member:**

Address: \_\_\_\_\_

Email: \_\_\_\_\_

Phone number: \_\_\_\_\_

Feedback and complaints received will be posted online at (website.....) along with action taken.

16. **Alternatively**, the parties could be unwilling or unable to engage in the process. In this instance, the complainant will be offered the option of taking the matter to the next level (i.e. the NSC or the Global Steering Committee), referring the issue for mediation, or closing out. The appropriate entity will record all outcomes in writing. It is expected that resolution and closure should occur within 30 days of receipt of the initial complaint at the staff level.

17. The Grievance Sub-Committee of the NSC will offer independent mediation or alternative dispute resolution as an option in all instances.

18. Regardless of where the complaint is handled (i.e. at the staff level, NEA, NSC, or Global Steering Committee level), the dedicated staff member will make a brief written note of the options discussed with the complainant(s) and the agreed action(s) to be taken to resolve the issue. Following implementation of the agreed action(s), the outcome will be recorded (i.e. resolution and/or closure) and both parties will sign.

19. Whether agreements are reached through direct conversations or mediation, all supporting documents of meetings needed to achieve resolution should be part of the file related to the complaint. At all stages of the process the NEA will keep the Multilateral Development Bank in the country informed and maintain a comprehensive record of all correspondence and decisions on the issue.

**C. Additional Resources**

20. The above-mentioned grievance and complaint mechanisms are without prejudice to any additional mechanism established by the Multilateral Development Banks, such as the Inspection Panel -- an independent, accountability and recourse mechanism that investigates World Bank financed projects to determine whether the World Bank has complied with its operational policies and procedures (including social and environmental safeguards), and to address related issues of harm.

## **ANNEX 8: DETAILED FINANCIAL MANAGEMENT ASSESSMENT AND PLAN**

1. The preparation of this assessment was done in accordance with the OP/BP 10.00 and the FM Manual, “Financial Management Manual for World Bank Investment Project Financing Operations” approved on December 11, 2014. This FM Assessment was conducted through an on-site visit to the proposed Implementing Agency including interviews with the key FM staff and a desk review of the documentation prepared for the assessment.

### **A. Summary Conclusion of FM Assessment**

2. The Project will be implemented using the existing capacity in World Wildlife Fund Perú – WWF Perú. This entity has prior and current experience in handling fiduciary aspects of projects financed by other Donors and NGOs, and has in place a basic administrative structure and systems (FM and internal control system), which puts it in a good position to manage the proposed Project’s FM tasks. The Assessment identified specific actions to enable WWF Peru to monitor and effectively carry out the financial activities of the proposed Project and mitigate the identified fiduciary risks.

### **B. Organizational Arrangements and Staffing**

3. The WWF is an organization constituted in the United States of America and its operations in Perú are authorized under the framework of the international technical cooperation, as it is recognized under ENIEX - *Entidades e Instituciones de Cooperación Internacional*. WWF-Perú has over 15 years of experience implementing projects in the country and in the last five years has implemented externally funded projects effectively for approximately US\$24 million, with an average execution per year of approximately US\$5 million.

4. WWF-Perú will be in charge of FM tasks for the proposed Project. These will basically include: (i) budget formulation and monitoring; (ii) cash flow management (including processing payments and submitting credit withdrawal applications); (iii) maintenance of accounting records, including maintenance of an inventory of fixed assets for the Project, (iv) administration of underlying information systems, (v) preparation of in-year and year-end financial reports, and (vi) arranging for the execution of the external audit.

5. Therefore, WWF-Perú has the capacity necessary to administer the financial aspects of the proposed Project, including a basic administrative structure and FM systems in place. Under this arrangement, WWF-Perú will be responsible for the flow of funds, procurement of goods and services, making Project payments, financial reporting, and other related fiduciary activities. WWF-Perú will carry out FM functions with its existing staff and will be required to maintain professional staff in numbers and with qualifications and experience acceptable to the World Bank as described in Project’s OM. It was agreed that WWF will hire a dedicated FM Specialist for this Project within three months of effectiveness.

### **C. Budget Planning**

6. Between July and September of each year, WWF-Perú will prepare its tentative investment program for the next year (including the investment program for the proposed Project) and

submit it to the WWF HQ for review and approval. The program should be consistent with the budget preparation policies provided by WWF.

7. On the basis of the approved budget, WWF-Perú will adjust as needed the annual operating plan and procurement plan, which will be reviewed by the World Bank.

#### **D. Accounting and Financial Reporting**

8. **Accounting Policies and Procedures.** The main FM regulatory framework for the Project will consist of WWF regulations, which were assessed and deemed acceptable to the World Bank. WWF follows US GAAP accounting standards. These documents will be complemented by Project-specific FM arrangements documented in the FM section of the OM. Among others, specific reference will be made to: (i) the internal controls appropriate for the Project; (ii) the formats of Project financial reports, and (iii) auditing arrangements.

9. **Information Systems.** The proposed Project will utilize Oracle financials system, which was assessed as part of this FM Assessment and was deemed acceptable to the World Bank. Under this system, which handles multiple currencies, Project expenditures can be reported detailed by Project component, subcomponent and activity, as well as by expenditure category. This system will be complemented by the Project Tracking System which allows proper monitoring and follow-up on the investments at the subproject level.

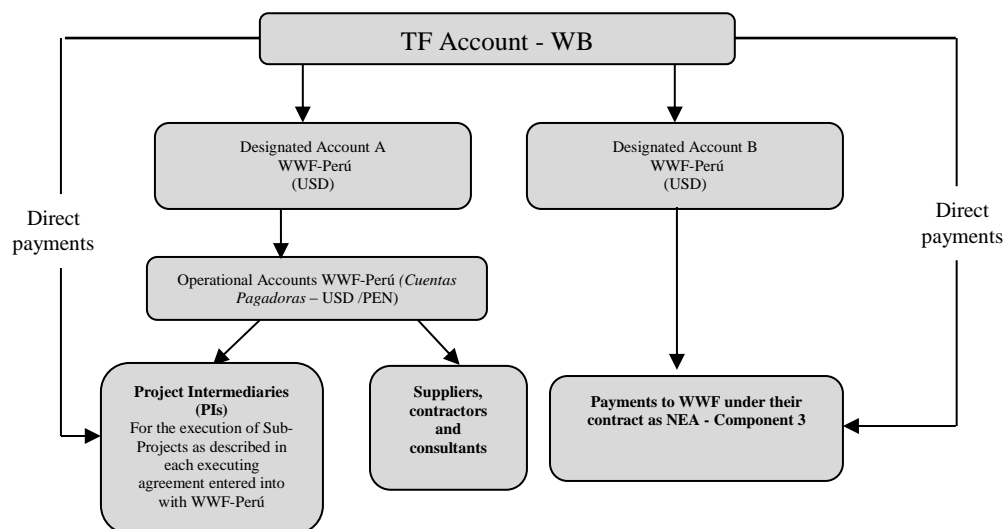
10. **Treasury System.** As expenditures/commitments arise, they will be recorded by WWF-Perú in Oracle Financials system, and once payments are approved, funds will be converted from USD into local currency and channeled through the Operational Accounts to make payments to suppliers, contractors or consultants. WWF-Perú will use Electronic Funds Transfers whenever possible. Should the need arise to make payments under alternative arrangements, the procedures should be agreed by the World Bank in advance and duly documented in the OM.

11. **Financial Reports.** On a *semester* basis, WWF-Perú will prepare and submit to the World Bank an unaudited interim financial report (IFR) containing at least: (i) a statement of sources and uses of funds and cash balances (with expenditures classified by subcomponent); (ii) a statement of budget execution per subcomponent (with expenditures classified by the major budgetary accounts); (iii) a Subproject statement which shows amount disbursed, documented and outstanding balances, classified by age, to allow for timely monitoring. The interim reports will be submitted not later than 45 days after the end of each semester. In this case, the IFRs are not expected to be utilized for disbursement purposes.

12. **On annual basis,** WWF-Perú will prepare Project financial statements including cumulative figures for each fiscal year of the financial statements cited in the previous paragraph. The financial statements will also include explanatory notes, and the Project implementation unit's assertion that credit funds were used in accordance with the intended purposes as specified in the Grant Agreement. These financial statements, once audited, will be submitted to the World Bank not later than six months after the end of the Government's fiscal year (which equals the calendar year). The supporting documentation of the semester and annual financial statements will be maintained in WWF-Peru's premises, and made easily accessible to World Bank supervision missions and to external auditors.

## Flow of Funds

13. Overall funds flow of the Project is diagrammed below.



14. **WB Disbursement Methods.** Considering the results of the assessment, the following disbursement methods may be used by WWF-Perú to withdraw funds from the credit: (a) reimbursement, (b) advance, and (c) direct payment.

15. **WB Designate Accounts.** For this Project, it is envisaged that one Designated Account will be used. Under the advance method and to facilitate Project implementation, WWF-Perú will have access to this Designated Account in US dollars that will be opened and maintained in a Commercial Bank acceptable to the World Bank in the name of the Project. Funds deposited into the DA as advances will follow World Bank's disbursement policies and procedures, as described in the Disbursement Letter and Disbursement Guidelines.

16. **Subprojects.** Under this Project, no cash transfers to beneficiaries will be allowed. The contracts with the PIs will include an adequate control framework, which will be subject to World Bank approval. To allow proper monitoring of the subprojects, the PIs will be required to report periodically on the status of each subproject, showing, at a minimum, the amounts disbursed, documented and outstanding balances, classified by age. Moreover, the PIs will be responsible for preparing the documentation related with subproject expenditures, which will then be reviewed and validated by WWF-Perú. Payments to PIs will be made on the basis of forecasted disbursements over a four-month period.

17. **The ceiling for advances** to be made into the Designated Account will be established based on a forecast estimated to be sufficient to cover Project expenditures for the following four months. The reporting period to document eligible expenditures paid out from the Designated Account is expected to be on a quarterly basis. The reporting requirements for payments made from the Designated Account will require: (i) supporting documentation for Project expenditures under advances; (ii) a forecast for the next four months, and (iii) a reconciliation of the Designated Account. In addition, when reporting expenditures related with subprojects (Comp. I and II), a customized Statement of Expenditures in a format acceptable to the World Bank will be required.

18. All **consolidated documentation** for Statement of Expenditures will be maintained for post-review and audit purposes for up to one year after the final withdrawal from the grant account.

19. **Supporting documentation** for Direct Payments will consist of relevant records, including copies of receipts, supplier/ contractors invoices). The minimum value for applications for direct payments and reimbursements will be US\$200,000.

20. **Disbursement Deadline Date:** The deadline for the final submission of the request for disbursement of funds under the Project will be four months after the closing date specified in the Grant Agreement.

## **E. Audit Arrangements**

21. **Internal Audit.** WWF-Perú has an internal audit unit that is responsible for assisting its management to ensure the continuing adequacy of the entity's internal control environment. The FMA concluded that the unit has sufficient capacity, and its findings are adequately addressed. In the course of the unit's regular activities, internal auditors for WWF-Perú will include Project activities in their annual work plans using a risk-based approach. It is also expected that the Unit will conduct inspections of the activities of the subprojects as is deemed necessary. WWF-Perú will provide the World Bank with copies of the internal audit reports covering Project activities and financial transactions.

22. **External Audit.** An audit of the Project's financial statements will be carried out every year. The audit report and the accompanying management letter should be submitted to the World Bank, within six months of the end of the calendar year. The audit should be conducted by an independent audit firm acceptable to the World Bank and under terms of reference approved by the World Bank. The scope of the audit will be defined by WWF-Perú in agreement with the World Bank based on Project specific requirements and responding, as appropriate to identified risks, including review of compliance with agreed processes and procedures; as well as a sample of subprojects. Audit requirements will include the following:

<b>Audit type</b>	<b>Due date</b>
Project financial statements	June 30
Special Opinions – Statement of Expenditures	June 30

23. WWF-Perú will contract the first external audit within three months after Project Effectiveness. Each audit contract is expected to cover at least two years. The audit work might be carried out jointly with the audit of other projects, provided that the report is furnished separately and the costs of the audit be assigned proportionally to each source of financing. In addition, memoranda on internal controls ("management letters") for the fiduciary activities of WWF-Perú will be produced on a semi-annual basis, covering (i) weaknesses noted by the auditors in the internal control systems of the Project, (ii) cases of application of inappropriate accounting policies and practices, (iii) issues regarding general compliance with broad covenants, and (iv) any other matters that the auditors consider should be brought to the attention of the borrower.

## F. Risk Assessment Summary

24. The FM risk for this Project has been assessed as *Moderate*. During implementation, the level of FM risk will be re-assessed and revised accordingly if needed. The following table presents the risk assessment, as well as the risk mitigating measures incorporated into the design of the Project and the FM implementation arrangements.

<b>Risk</b>	<b>Risk Rating</b>	<b>Risk Mitigating Measures Incorporated into Project Design</b>
<b>Inherent Risk</b>		
Country Level	N/A	Not Applicable since the Project will not use Country Systems.
Entity Level	M	WWF-Perú has prior experience in managing externally financed projects with satisfactory FM performance. However, Subprojects will be carried out by PIs which will be selected during Project implementation and will require increased monitoring from WWF-Perú.
Project Level	S	FM for the Project will be carried out by WWF-Perú, staffed with personnel possessing adequate qualifications. The Project's structure is complex and includes subprojects. The Trust Fund Agreement will include a covenant that WWF-Perú will be required to maintain adequate implementation arrangements at all times. The OM will include specific procedures for the execution of subprojects. A FM Specialist will be hired within 3 months of effectiveness. A FM and Disbursements workshop will be delivered once the FM staff is in place.
<b>Control risk</b>		
Budgeting, Accounting, Internal Control	M	Project budget and accounting will be registered in the existing systems in WWF-Perú (Oracle Financials and Project Tracking System).The Project will operate under an OM acceptable to the World Bank.
Funds Flow	M	WWF-Perú will open the Project's Designated Account. Payments to suppliers, contractors and consultants, as well as payments to PIs will flow from the operational accounts through electronic funds transfers whenever possible. Should the need arise to make payments under alternative arrangements, the procedures should be agreed by the World Bank in advance and duly documented in the OM.
Financial Reporting, Auditing	M	The Project will utilize existing systems in WWF-Perú (Oracle Financials and Project Tracking System) for accounting and financial reporting. An annual audit to be carried out by an eligible audit firm and under terms of reference, both acceptable to the World Bank, and which will include a sample of subprojects, will be required.
<b>FM Risk</b>	<b>M</b>	

## Financial Management Action Plan

25. The FM Action Plan is proposed as follows:

<b>Action</b>	<b>Responsible Entity</b>	<b>Completion Date</b>
1. Finalize the FM sections of the Project OM.	WWF-Perú	By Project effectiveness.
2. Finalize the proposal in relation to the chart of accounts and incorporation of the Project into Oracle's structure'.	WWF-Perú	By Negotiations.
3. Finalize draft audit terms of reference and short list.	WWF-Perú	By Negotiations.
4. Receive an Operational Training in FM and Disbursements.	WWF-Perú / WB	Within 3 months of Effectiveness

5. Hire a dedicated FM Specialist for the Project	WWF-Perú	Within 3 months of Effectiveness
6. Contract external auditors, based on short list satisfactory to the World Bank.	WWF-Perú	Within 3 months of Effectiveness

### **World Bank FM Supervision Plan**

26. After effectiveness, the FM Specialist might perform an additional field visit to confirm adequate arrangements are in place. The FM Specialist must also review the audit reports and the financial sections of the biannual (each semester) IFRs, and should perform at least two supervision missions per year.

**ANNEX 9: EXECUTIVE SUMMARY**  
**SOCIAL ASSESSMENT CONDUCTED DURING PREPARATION OF THE**  
**SAWETO DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES AND LOCAL**  
**COMMUNITIES IN PERU (P148499)**

1. The Peruvian Amazon represents a rich cultural diversity with 332,975 Indigenous people that live collectively in 1,786 communities from 45 different ethnic groups and 14 different linguistic families. The Arahucacas or Arawak is the linguistic family with the largest population (38.6%) with 128,512 people. There is evidence that Indigenous peoples from the Arawak linguistic group having been living in the Amazon for at least 3,000 years. Whereas these communities engage and interact with Peruvian society, their physical and cultural survival is intrinsically linked with their natural environment and forests. The 2007 census of Indigenous Peoples in the Amazon illustrates this point with 45.3% of this population being considered economically inactive, 86.2% without access to the electric grid, and 92.1% sourcing their water from rivers, channels or springs. At the same time, the Peruvian Amazon is home to some of the last indigenous peoples that still live in voluntary isolation. The Peruvian government has established five territorial reserves for these groups with the goal of protecting their rights to remain in isolation, and to avoid undesired contact that could present grave and even fatal health risks to this population.

2. Despite their historical presence and role as the primary stewards of the Peruvian Amazon, 1,174 native communities in the Amazon, or 65.7%, still face some sort of land tenure insecurity. This includes 294 native communities without any legal recognition, 616 native communities that have been recognized but are still lack titling, and 264 native communities that require an expansion of their existing community boundaries.

3. Land tenure insecurity is compounded by a range of pressures on the Peruvian Amazon from in-migration, agriculture, natural resource extraction, and the expansion of the road network. After the Peruvian Coast, the Amazon is the second greatest recipient zone of in-migration. The Peruvian Amazon currently has 628 forest concessions and 41 protected areas. Migration from the coast and highlands, and the resulting proliferation of small-scale agriculture, is the largest threat on native community lands and their forests. From 2000 to 2011, 47% of the deforestation that took place in the Peruvian Amazon occurred in lands where no clear land rights had been assigned. While native communities deforested 1.56% of their lands from 2000 to 2011, farmers deforested 16.93% of their lands over the same period. When analyzing different land uses and systems in the Amazon, it was found that small-scale agriculture was the primary driver of deforestation with 1.54% deforestation annually, followed by forest areas where rights were not yet assigned, at .26% annual deforestation. Areas where rights are yet to be assigned are considered “open” by migrants despite the fact that the majority of these lands have been occupied and used by native communities for thousands of years.

4. For the past 36 years Peru has had a clear legal framework and procedures for collective land titling for native communities. *The Law for Native Communities and Agrarian Development of the Forest and Forest Boundaries* was approved in 1978 and its regulatory framework the following year (Supreme Decree N. 003-79-AA). This legal framework outlines a series of

specific steps for the processes of legal community recognition, land titling and demarcation, and community boundary expansion. The Regional Government's Agrarian Directorate is charged with native land titling. These processes can be initiated either through the Directorate's work program or at the request of a community. The process entails several steps of fieldwork, anthropological studies, socio-demographic and land use surveys, consultation and boundary agreements with other inhabitants, soil sample tests, legal review and registration, among other steps.

5. Barriers to move forward with native land titling have been primarily attributed to lack of resources or prioritization by the regional agrarian directorates, lack of information or resources to request recognition and titling on behalf of native communities, lengthy and costly processes to carryout soil sample tests, and overlap of native land claims with forests already under concession or legally designated as protected areas or forests for permanent production. Whereas many native communities claim lands where migrants ("colonos") have invaded, the legal framework provides instruments for the inclusion or exclusion of these plots within the proposed new communities.

6. Stakeholders in the Peruvian Amazon can be categorized into four major groups including: (i) community actors: native communities, *ribereño* communities, and campesino or peasant communities; (ii) farmer migrants known as "colonos"; (iii) public actors: regional governments- including their agrarian directorates, the National Service for Protected Areas (SERNANP), the Supervising Organization of Forestry and Fauna Resources (OSINFOR); and (iv) private sector actors: NGOs, forest/hydrocarbon/mining concessionaires, and illegal loggers. The principle conflicts that exist for native communities are in relation to lands that they have traditionally used or occupied that are now overlapping with different types of concessions, are being exploited by illegal loggers or are being invaded by migrant farmers.

7. In regards to community forestry management, a major issue is the illegal extraction of wood that is estimated to be the case for 80-95% of all wood extracted. Some native communities participate in the "laundering" process by claiming that the wood that was extracted illegally (for example from a nearby protected area) was actually extracted from their communities. At the same time illegal logging is rampant with corruption - 64% of people interviewed for the social assessment noted that public forestry inspectors are "very corrupt". In order to attain a forestry permit, native communities must have land title and establish a forestry management plan that per the current forestry regulation requires them to harvest timber in ways that contradict their traditional practices. With the exception of a very small number of cases (17 native communities) that have received external support and reached the Forestry Stewardship Council certification, the majority of native communities do not participate in legal and sustainable wood extraction markets. Only 3% of native communities hold a forestry permit, very few actually develop and comply with forestry management plans, and many are receiving fines from OSINFOR for noncompliance. Given the complexity of wood extraction, as well as the lengthy process to receive permits for the extraction of non-wood products, the social assessment recommends that the Dedicated Grand Mechanism support community forestry management projects related to fish cultivation, agro-forestry, and with specific measures in place, tourism.

8. In regards to community governance, the native communities in the Amazon continue to subscribe to their traditional internal structures. For interactions with external actors they have also created community assemblies and a community council. For internal matters, they refer to the “Apu” or leader of prestige who guides the community on traditional rules, traditions and paradigms. For external issues, there is a community president or “boss”, secretary, treasurer, and in some cases other technical support organizations. In some communities there are also elder councils. The community assemblies are where formal decisions are made and documented through a Communal Act. The survey carried out with a range of actors for the social assessment found that 96% of those interviewed considered that the election of the community council as highly participatory, 85% found the community councils to be fully able to properly govern their communities and represent the positions of women and the elderly of the community, and 90% noted that they agree with the decisions made in the general community assemblies. This data validates that the current community governance systems are considered participatory and valid as an instrument to document broad community support. However, the social assessment also noted that the majority of communities need some level of institutional strengthening to support them in moving forward with processes to improve land tenure security and community forestry management.

9. Beyond the community level, the majority of the Amazonian native communities are members of federations that in turn are members of regional organizations or coordinators that comprise the membership of AIDESEP or CONAP. AIDESEP represents 9 regional organizations that comprise 67 local federations, which represent 1,500 native communities. CONAP is governed by five regional coordinators who represent 40 local federations that represent 750 native communities. Whereas historically AIDESEP AND CONAP have maintained separate agendas, they have recently decided to collaborate closely to on specific initiatives such as the DGM especially considering the similar cultural, geographical, and social characteristics of the populations they represent together with the common challenges faced. This high level of regional and national organization greatly facilitates the proposed activities under this DGM as the Project has a clear set of well-organized counterparts and beneficiaries with whom one can dialogue, design, implement, and monitor progress under the Project.