



## Global Environment Facility

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February 6, 2003


Dear Council Member,

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

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in October 2002 and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank satisfactorily details how Council's comments and those of the STAP have been addressed. I am, therefore, endorsing the project document.

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

Sincerely,

 Mohamed T. El-Ashry  
Chief Executive Officer and Chairman

cc: Alternate, Implementing Agencies, STAP

# OFFICE MEMORANDUM

DATE: January 30, 2003

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

FROM: Lars Vidaeus, GEF Executive Coordinator 

EXTENSION: 34188

SUBJECT: **PERU: Participatory Management of Protected Areas  
Submission for Final CEO Endorsement -- Resubmission**

1. Please find attached the electronic file of the Project Appraisal Document (PAD) for the above-mentioned project for your final review and endorsement, which addresses comments received from the GEF Secretariat (Kanta Kumari's e-mail) dated January 27, 2003 on the PAD that was submitted for your endorsement on January 21, 2003. GEFSEC comments (in italics) have been addressed as follows:

2. The PAD is fully consistent with the objectives, scope, and overall cost of the proposal approved at the November 2002 Council meeting. GEFSEC, STAP, and Council comments have also been addressed. Modifications to the PAD and how comments have been addressed are detailed below:

**GEFSEC comments at workprogram entry (the following comments build on discussions with GEF Secretariat at the time of workprogram entry):**

3. Since Work Program entry, the project co-financing by the government of Peru has increased from \$0.74 million to \$2.96 million. The project has also been fully included in the Bank's new 2002 Country Assistance Strategy for Peru.

4. The role of the private sector, in particular the not-for-profit private sector has been made more explicit and possible candidates to manage the protected areas have been identified (See Annex 2, Subcomponent 1.2. – page 38). Bidding documents to engage the private sector as well as a model management contract have been discussed during negotiations.

5. The replication strategy of the project includes dissemination of the results of project supported activities to national, regional and global stakeholders and the media through written reports, workshops and available information systems including the establishment of a project web page. PROFONANPE will also identify and disseminate best practice guidelines to INRENA staff, Protected Areas Management Committees and other stakeholders. (Annex 2, Subcomponent 3.4 – page 43)

6. A process framework has been developed to manage the resettlement issues under the Project (Annex 13, page 80), and this has been cleared in the context of the social safeguard policies of the World Bank.

**Specific items GEFSEC Expected at CEO-Endorsement:**

7. *The terms of the agreement between INRENA and PROFONANPE needs to have been agreed by the time of CEO endorsement.* The agreement reviewed during appraisal, was signed on December 6, 2002 and was presented by the PROFONANPE/INRENA negotiations team at the onset of the negotiations;

8. *The full M&E plan should be available by the time of CEO endorsement , taking into account the suggestions of the STAP reviewer.* An international Monitoring and Evaluation Expert was recruited to assist with the establishment of a Project Monitoring and Evaluation System that is available in the project files. PROFONANPE has recruited a permanent monitoring and evaluation expert who, following the recommendations of the international expert, has established a monitoring and evaluation system for all PROFONANPE activities and projects. The project monitoring and evaluation consists of two parts: (i) the monitoring and evaluation by PROFONANPE of the project activities (including the software to monitor financial transactions and prepare financial monitoring reports) and (ii) the monitoring and evaluation of biodiversity by INRENA that is now being developed under the Indigenous Management of Protected Areas in the Peruvian Amazon system. (See Annex 2, Subcomponent 3.3 page 43).

9. *The long-term sustainability and financing plan should be available by the time of CEO endorsement.* The project's financing plan has been completed and appraised, and the co-financing indicated in the financing plan has been fully confirmed. Matching funds for the endowment have also been identified and will be paid through co-financing from the Finnish Government and PROFONAPE. A table in Section C1 (page 7) presents the project financing by component; and a table in Annex 3 (page 45) presents the project's detailed financing plan. Due to a constraint of the World Bank's Electronic Project Document System- extra zeros appear in the table on page 7 (under the columns % of total, % of Bank financing, and % of GEF financing) against the first major two component titles. These extra zeros should be disregarded, and will be corrected on the hard copy version of the final printed document. Annex 3 in any case, provides the most comprehensive detail of the project financing, and is presented below:

Peru  
Participatory Management of Protected Areas  
Component Costs by Financiers

	INRENA		PRO-FONANPE		GEF		Dutch Gov.		German Gov.		Finnish Gov.		Farmers		NGOs		Total		
	US\$M	%	US\$M	%	US\$M	%	US\$M	%	US\$M	%	US\$M	%	US\$M	%	US\$M	%	US\$M	%	
<b>A. Participatory Protected Area Management</b>																			
1. Preparation of Master and Management Plans	-	-	-	-	1.15	44	0.20	8	1.24	48	-	-	-	-	-	-	2.59	7.9	
2. Participatory Plan Implementation	1.62	20	-	-	4.48	55	0.45	5	0.60	7	-	-	-	-	1.00	12	8.15	24.8	
3. Sustainable Economic Activities in PAs and Buffer Zones	-	-	-	-	1.50	20	3.00	40	2.47	33	-	-	0.52	7	-	-	7.49	22.8	
<b>Subtotal Participative Protected Area Management</b>	1.62	9	-	-	7.14	39	3.65	20	4.31	24	-	-	0.52	3	1.00	5	18.23	55.5	
<b>B. Institutional Development</b>																			
1. Training and Technical Assistance	-	-	-	-	1.74	70	0.26	11	0.47	19	-	-	-	-	-	-	2.47	7.5	
2. Capacity Building of Local Civil Society	-	-	-	-	0.64	65	0.16	16	0.19	19	-	-	-	-	-	-	0.99	3.0	
3. Biodiversity Conservation Public Awareness Program	-	-	-	-	0.31	21	0.17	11	1.04	68	-	-	-	-	-	-	1.52	4.6	
4. SINANPE Management Information System	0.26	34	-	-	0.50	66	-	0	-	0	-	-	-	-	-	-	0.76	2.3	
<b>Subtotal Institutional Development</b>	0.26	4	-	-	3.19	56	0.59	10	1.71	30	-	-	-	-	-	-	5.74	17.5	
<b>C. Project Administration, M&amp;E, and Information Dissemination</b>																			
1. Contributions to Endowment Fund	-	-	0.50	8	3.00	50	-	-	-	-	2.50	42	-	-	-	-	6.00	18.3	
2. Financing Strategy	-	-	-	-	0.30	100	-	-	-	-	-	-	-	-	-	-	0.30	0.9	
3. Project Implementation and M&E	-	-	0.58	24	1.10	45	0.20	8	0.57	23	-	-	-	-	-	-	2.45	7.4	
4. Information Dissemination	-	-	-	-	0.10	90	0.01	10	-	-	-	-	-	-	-	-	0.12	0.4	
<b>Subtotal Project Administration, M&amp;E, and Info. Dissemination</b>	-	-	1.08	12	4.50	51	0.21	2	0.57	6	2.50	28	-	-	-	-	8.86	27.0	
<b>Total Project Costs</b>	1.88	6	1.08	3.3	14.83	45	4.45	14	6.58	20	2.50	8	0.52	2	1.00	3	32.84	100	

Also as a first step toward a long-term Protected Areas System (SINANPE) financing plan– (See Annex 17 – page 96) it was decided to carry out a financing gap analysis. The conclusion of the gap analysis was that the whole SINANPE financing strategy should be undertaken, and this has been included in Component 3.2 of the project (See Component 3.2 Financing Strategy for SINANPE-page 43).

### Swiss Technical Comments

10. *There is a growing dependence on overseas financial aid and Peru needs to develop a coherent financing policy for SINANPE; this project contributes little to address this problem.* As a response to this comment, it was decided to carry out a financing gap analysis of the overall Protected Areas System (SINANPE) – (See Annex 17 – page 96). The conclusion of the gap analysis was that the whole SINANPE financing strategy should be undertaken and this has been included into Component 3 of the project (See Component 3.2 Financing Strategy for SINANPE). Moreover it was decided that PROFONANPE (under the project) would employ a fund raising advisor to obtain financing from the local and international private sector, as long as this is not in competition with the fundraising activities of other Peruvian NGOs. It is expected that the financing strategy will fully address the above issue. This strategy will be completed in the early part of the project so that it can be implemented and supported by the project.

11. *The project does not directly indicate the cost for the administration of the endowment fund and the cost of administering the fund should be clearly differentiated.*

The management aspects of the endowment fund are now clearly stated in Annex 16 (page 93). The costs of managing the endowment fund is 0.675% of the annual portfolio's final value. The costs will be born by PROFONANPE.

12. *Need to define baselines and the state of biodiversity / environment in the six PAs*

The carrying out of biodiversity studies is now explicitly mentioned in Annex 2, Subcomponent 1.1 (page 37) and included in the budget. The monitoring of biodiversity, however, is the task of INRENA that is receiving technical assistance under the Indigenous Management of Protected Areas in the Peruvian Amazon project to establish the monitoring system. The same system will be expanded to the Protected Areas under this Project.

13. *Need to clarify and provide additional information on the role of the private sector entities.* The PAD provides now more information on the role of the private sector and potential partners have been identified (Annex 14: Institutional Assessment and Implementation Arrangements – page 89) . However, the INRENA procedures to contract the private sector agencies does not allow to carry out a public pre-qualification exercise of the potential partners. The bidding documents will provide sufficient elements to qualify the non-for-profit organizations that offer their services.

14. Please let me know if you require any additional information to complete your review of the project document prior to circulation to Council. We look forward to hearing from the Secretariat as soon as possible, whether this document can now be circulated to Council for their review and receiving your endorsement of the project for Bank Board approval. The scheduled Board date for this project is March 11, 2003. We would appreciate receiving your response, so that we may finalize the Bank Board submission, by February 4, 2003.

Many thanks.

Attachments

cc: Messrs./Mmes. K. King GEF PROGRAM COORDINATION (GEFSEC); T. Serra; M. Donoso Clark, K. Shepardson, P. Werbrouck (LCSES), C. Sobrevila, R. Khanna, S. Wedderburn, D. Aryal (ENV); ENVGC ISC, LCSES IRIS3

Margaret Isaac

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PERU  
Participatory Management of Protected Areas

## Project Appraisal Document

Latin America and Caribbean Region  
Environmentally and Socially Sustainable Development Sector Unit

<p><b>Date:</b> January 19, 2003  <b>Sector Director:</b> John Redwood  <b>Country Manager:</b> Marcelo Giugale  <b>Project ID:</b> P068250  <b>Focal Area:</b> B - Biodiversity</p>	<p><b>Team Leader:</b> Pierre Werbrouck  <b>Sector(s):</b> Other social services (45%), Forestry (40%), Central government administration (10%), Sub-national government administration (5%)  <b>Theme(s):</b> Civic engagement, participation and community driven development (P), Biodiversity (P), Environmental policies and institutions (P)</p>
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### Project Financing Data

Loan     Credit     Grant     Guarantee     Other:

**For Loans/Credits/Others:**  
**Amount (US\$m):** 14.83

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER/RECIPIENT		2.46	0.50	2.96
GLOBAL ENVIRONMENT FACILITY		10.33	4.50	14.83
FINLAND, GOV. OF (EXCEPT FOR MIN.FOR FOREIGN AFFAIRS)		0.00	2.50	2.50
GERMANY: KREDITANSTALT FUR WIEDERAUFBAU (KFW)		4.38	2.20	6.58
NETHERLANDS: MIN. OF FOREIGN AFFAIRS / MIN. OF DEV. COOP.		3.64	0.80	4.44
LOCAL FARMER ORGANIZATIONS		0.53	0.00	0.53
NON-GOVERNMENT ORGANIZATION (NGO) OF BORROWING COUNTRY		1.00	0.00	1.00
<b>Total:</b>		22.34	10.50	32.84

**Borrower/Recipient:** PROFONANPE  
PERUVIAN NATIONAL TRUST FUND FOR PROTECTED AREAS  
**Responsible agency:** PROFONANPE  
Address: Prolongacion Arenales No. 722, San Isidro, Lima, Peru  
Contact Person: Alberto Paniagua, Director  
Tel: 51-1-2121010                      Fax: 51-1-212 1011                      Email: [apaniagua@profonanpe.org.pe](mailto:apaniagua@profonanpe.org.pe)

### Estimated Disbursements ( Bank FY/US\$m):

FY	2003	2004	2005	2006	2007	2008	2009	
<b>Annual</b>	3.61	1.59	2.31	2.89	2.35	1.88	0.20	
<b>Cumulative</b>	3.61	5.20	7.51	10.40	12.75	14.63	14.83	

**Project implementation period:** From April 15, 2003 to April 14, 2009  
**Expected effectiveness date:** 04/15/2003    **Expected closing date:** 10/14/2009

## A. Project Development Objective

### 1. Project development objective: (see Annex 1)

The project's **development objectives** are: (i) to ensure biodiversity conservation by increasing the involvement of civil society institutions and the private sector in planning and sustainable management of at least five protected areas (PAs) of the Peruvian System of Natural Protected Areas (SINANPE), and one PA to be created during project implementation; and (ii) to obtain sustainability for the financing of recurrent costs in SINANPE.

The PAs are: Tambopata-Candamo National Reserve, Bahuaja-Sonene National Park, Salinas and Aguada Blanca National Reserve, Huascarán National Park, Manglares de Tumbes National Sanctuary, and Morona Pastaza prospective PA. The first five PAs were selected using criteria explained in Annex 11. Morona Pastaza was selected by INRENA and cofinancier KfW. During project implementation additional PAs could be included.

SINANPE's financial sustainability will be increased by an additional endowment of US\$6 million to the Peruvian National Trust Fund for Protected Areas (PROFONANPE) endowment fund which will allow an additional US\$250,000 per year for recurrent cost financing. A strategy for long-term financing of SINANPE will help to channel these resources.

The project will build upon the experience gained during first GEF Grant to PROFONANPE, supporting the Trust Fund's establishment and development of its capacity to attract financial resources for conservation. Over the last years PROFONANPE has ensured the funding of the basic operational costs in twelve PAs. One important instrument for project implementation will be the equal participation of women in planning, management of PAs and monitoring and evaluating of PA management.

The **global objective** of the project is to contribute to the conservation of biodiversity of global importance. Peru, in terms of its total number of species, levels of endemism, and range of habitats, is considered to be one of the world's great centers of biological diversity. Peru has been classified as one of earth's seventeen mega-diverse countries. In terms of species, Peru leads the world in numbers of butterflies, orchids, and endemic invertebrates. It also accounts for a total of 460 mammals and 1705 bird species, or 10 and 19 percent, respectively, of the world's total. As an indicator of its habitat diversity, Peru has been documented to have more life zones than any other country on earth with 84 of the world's 110 life zones identified in Holdridge's Life Zones System. In terms of its agro-biodiversity, the country is considered to be one of the five world centers of origin of cultivated plants and has an immense natural germplasm resource of useful wild species. In part, this rich endowment can be attributed to Peru's 675,000 km<sup>2</sup> of Amazon rainforest (including the Peruvian and Bolivian Yungas), the largest continuous forest on earth representing 40% of all remaining tropical forests of the world. Other major eco-regions include the country's central Andean and Wet Puna, the Sechura Desert, the Tumbes Mangroves, and others.

### 2. Key performance indicators: (see Annex 1)

- Increased management effectiveness in project PAs.
- Improved the degree of biodiversity conservation in project PAs.
- Increased participation of women in planning, managing, monitoring and evaluating project PAs.
- Increased stakeholder participation in the management of project PAs.
- Increased capacity to finance SINANPE recurrent costs with local resources.
- Participation of indigenous people in PA conservation programs

## **B. Strategic Context**

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

**Document number:** CAS Report No. 24205-PE **Date of latest CAS discussion:** 9/17/2002

The objectives of the FY03 CAS are poverty alleviation, sustainable growth, and institutional development. The project is fully aligned to the 2003 CAS, which specifically includes this project in the chapter related to the environment and sustainable growth. The CAS includes also a proposal to consolidate the Peru GEF Investment Strategy that already exists in draft form.

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

#### **Operational Programs**

The proposed project is fully compatible with objectives defined by the GEF Operational Programs for: (i) Coastal, Marine, and Freshwater Ecosystems (OP2) by supporting, through conservation activities, the functions of freshwater and coastal ecosystems at risk; (ii) Forest Ecosystem (OP3), in promoting *in situ* protection of primary/old growth and ecologically mature secondary forest ecosystems; and (iii) Mountain Ecosystems (OP4), in promoting conservation activities in sub-alpine, mountain grasslands, and/or montane forest zones. The project is also consistent with all of the aforementioned OPs through: (i) promoting closer integration of the communities located adjacent to project-supported PAs in the conservation and management of biodiversity by increasing their participation in the management of the respective protected areas; (ii) facilitating the adoption of sustainable production activities among inhabitants of the buffer areas, consistent with core area conservation objectives; and (iii) increasing capacity among relevant local institutions including civil society and the private sector.

#### **Agenda 21**

The proposed project is fully consistent with and responsive to relevant principles established under Agenda 21. Specifically these are: the conservation of biological diversity (Chapter 15), promoting sustainable agricultural and rural development (Chapter 14), strengthening the role of NGOs as partners in sustainable development (Chapter 27), providing support to local authorities initiatives to support Agenda 21 objectives (Chapter 28), facilitating new and innovative sources of financing to support the sustainable biodiversity conservation (Chapter 33), and promoting education, public awareness and training (Chapter 36).

#### **National Communication to the Convention of the Parties (COP)**

The proposed project is also consistent with the GEF Operational Strategy supporting long-term important global ecosystems protection. The project is consistent with Peru's first report to the Fourth Meeting of Conference of the Parties (COP IV) to the Biological Diversity Convention (CBD) and the principles of the Convention, to which Peru is a signatory. It will support three levels of biodiversity (ecosystems, species, and genes) through three GEF Operational Programs within the biodiversity focal area. The project further supports COP Decisions I/8, II/8, I/9, III/9, III/10 and III/12, and Recommendation I/3 of the Subsidiary Body on Scientific, Technical, and Technological Affairs (SBSTTA) of the CBD.

#### **Clearing House Mechanism (CHM)**

The proposed project is fully compatible with the objectives supported under the CBD's Clearing House Mechanism (CHM). During preparation, the local design team worked in close collaboration with CONADIB and consultation with other relevant organizations in support of CBD objectives. During implementation, project activities will facilitate access to and sharing of biodiversity-relevant information.

This will occur primarily through: (i) developing and strengthening national capacity to manage and conserve biodiversity; (ii) developing and providing information supporting national and thematic biodiversity reports called for under the CHM; and (iii) promoting increased awareness of the importance of biological diversity conservation.

## **2. Main sector issues and Government strategy:**

### **Sector Threats and Constraints**

Despite the global importance of the country's vast biodiversity endowment, this richness is increasingly at risk. Peru has an estimated 222 species in the process of extinction, including 81 aquatic species. Within South America, only Brazil has more threatened flowering plants. This accelerated loss of biodiversity is fundamentally the result of unsustainable human activities, causing deforestation, soil erosion, water pollution and illegal trade in wildlife and plants. Mining and oil exploration are major economic activities contributing to the loss of biodiversity particularly when done without proper environmental standards (Annex 13, D).

Major constraints affecting the public sector's capacity to address biodiversity conservation include:

- *Limited public sector capacity* to design and implement policies to address adverse consequences to environment and biodiversity of non-sustainable economic activities and to work with civil society and the private sector. In addition, many local civil society organizations have weak technical capacities to participate in conservation related activities.
- *Limited Financial Resources and Absence of a Self-financing Policy.* Peru spends less than US\$50 per km<sup>2</sup> on biodiversity funding, while Brazil spends US\$130 and Mexico US\$420 per km<sup>2</sup>. Moreover, given the budgetary constraints in the public sector, most financial resources to manage Peru's PAs come from international bilateral assistance and nongovernmental organizations (NGOs). Growing dependency on foreign financial aids makes it necessary that Peru develops a coherent financing policy for SINANPE. A recent gap-analysis indicates a large shortfall of financial resources particularly when taking into account the needs of the buffer zone communities. Instruments to capture people's willingness to pay for biodiversity conservation are not implemented. As a result, PAs such as the Historic Sanctuary of Macchu Picchu and the Huascarán National Park are subject to intense environmental pressure due to high numbers of visitors.
- *Lack of Environmental Awareness.* A 1997 national survey on environmental awareness indicated that only 17 percent of the population has an "adequate" knowledge of environmental problems; and
- *Inadequate Management Information Systems.* The lack of a good information system has not only limited the public sector's ability to manage PAs but has hindered its ability to promote public awareness and make informed decisions to achieve long-term sustainability.

### **Government Strategy**

Reflecting the importance Peru gives to its rich biodiversity endowment, the country's National Environmental Council (CONAM) chairs or participates in a number of commissions related to biodiversity conservation. CONAM is also the national focal point for the Global Environmental Facility (GEF). The institution responsible for coordinating activities required under the Convention on Biodiversity (CBD) is the National Commission for Biodiversity (CONADIB). The lead institution responsible for *in situ* conservation and management of the country's biodiversity is the General Directorate of Natural Protected Areas (DGANP) of the National Institute for Natural Resources (INRENA), under the Ministry of Agriculture (MAG) which has the mandate for administering the country's national system of 54 PAs.

The main government policy for *in situ* biodiversity conservation is based on the establishment of

SINANPE whose objective is to conserve representative samples of the country's biodiversity by creating and managing PAs efficiently while guaranteeing that environmental, social and economic benefits accrue to society at large. During the past few years, Peru has taken a series of important steps towards expanding and consolidating SINANPE. Some of the more significant milestones achieved during this process include: (i) approval of enabling legislation: the Environmental Code (*Código de Medio Ambiente y de los Recursos Naturales, Decreto Legislativo No. 613*, 1992); the signature and ratification of the Biodiversity Convention (1992); the revised National Constitution (1993); the Biodiversity Law (*Ley sobre la Conservación y Aprovechamiento de la Diversidad Biológica, Ley No. 26839*, 1997); the Protected Areas Law (*Ley de Areas Naturales Protegidas, Ley No. 26834*, 1997); the Protected Areas bylaw (DS No 038-2001-AG), and the Master Plan of SINANPE (*Plan Director*); (ii) strengthening of management capacities of INRENA's Directorate for Protected Areas (DGANP) and PA staff; and (iii) establishment of new protected areas. In the last decade, 14 new protected areas (1 National Park and 13 Reserved Zones), representing a total aggregate surface area of 10,049,069 ha, were added to SINANPE.

To assist with the financing of SINANPE, PROFONANPE was created with GEF support. Since its creation, PROFONANPE has catalyzed additional funding (US\$38 million) from the national treasury and bilateral and multilateral sources that are being channeled to PAs to improve conservation management.

Despite these strong achievements, much remains to be done. Many PAs are still not adequately protected. There remains a significant gap between the needs and available financial resources. Furthermore, PAs created to conserve biodiversity of global importance are increasingly at risk due to illegal squatters, non-sustainable economic activities in adjacent buffer areas, and poorly-managed tourism development.

In conformity with other major public sector reforms, the GOP has provided an opportunity to increase the role for the private sector and civil society in conservation management. The aforementioned strategic plan for SINANPE, the Natural Protected Areas law and its bylaws provide the conceptual and legal framework for the private sector and civil society participation in the management of SINANPE. The most relevant provisions are: (i) ensuring participation of the public and private sectors in a system-wide SINANPE Coordination Council; (ii) involving private sector, civil society and community-based organizations and public sector stakeholders in PA Master Plans; (iii) strengthening PA Management Committees (PAMCs) as a vehicle for stakeholder participation; (iv) delegating PA management functions to private non-profit agencies; and (v) allowing the establishment of private conservation areas.

Otherwise than in other Latin American countries that have gained substantial advances in the incorporation of a gender perspective in environmental strategies, in Peru the environmental authority CONAM has not yet started to do so. The National Environmental Strategy 2002-2003 does not include gender-related objectives or actions to institutionalize a gender approach in public policies or plans on environment.

Implementation remains a challenge. Each PA needs to design and implement a Master Plan. This requires technical skills not easily available in Peru and implies considerable capacity-building of various stakeholders. The proposed project provides an opportunity to implement the new policy directions outlined above, initially in six PAs and then expanded and applied through experience and "lessons learned" to the rest of the SINANPE and the Andean region.

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

The proposed project will address four constraints identified above: (i) increasing and strengthening the role of civil society and the private sector in the design and implementation of PA plans; (ii) increasing financial resources and implementing a financing strategy for the growing numbers of PAs; (iii) increasing environmental awareness for conservation; and (iv) strengthening management information systems.

The design of the proposed project reflects a fundamental strategic choice leading to an increased role for the private sector and civil society in PA management. GOP can not afford to cover all costs associated with the management and conservation of biodiversity of global importance. Rather, it will have to increasingly call upon the skills and resources of civil society and the private commercial sector through partnerships. The project will therefore use a significant amount of resources to finance the implementation of PA management plans by private non-profit organizations through capacity-building of local civil society organizations, INRENA, and PROFONANPE. Given that the participation of women is of essential importance in this project, a gender strategy will be implemented in the project.

To increase PA financial resources the project will increase PROFONANPE's endowment fund (now at about US\$5.4 million) by US\$6 million (US\$3 million from GEF and US\$3 million from other sources – including the Government of Finland for US\$2.5 million). With this additional contribution, PROFONANPE will be able to increase SINANPE recurrent cost financing by US\$250,000 annually. This contribution to the endowment fund may provide an incentive for other donors to contribute to the PROFONANPE endowment fund in support of additional operations.

The strategic choice for environmental awareness enhancement is based on the need to increase qualitative knowledge about the mission, role, values, and activities of PAs and SINANPE. In addition, it will inform decision-makers at national, regional and local levels of SINANPE's potential benefits. The project also aims to approach and involve educators and the media to prepare future leaders in environmental values and the benefits of sustainable use of biological resources.

## C. Project Description Summary

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

The project has three main components: (i) participatory protected area management, (ii) institutional development, and (iii) PA financing, project administration, monitoring and evaluation and information dissemination.

Component	Indicative Costs (US\$M)	% of Total	Bank financing (US\$M)	% of Bank financing	GEF financing (US\$M)	% of GEF financing
1. Participatory Protected Area Management		0.0		0.0		0.0
1.1 Preparation of Master and Management Plans	2.59	7.9	0.00	0.0	1.15	7.8
1.2 Participatory Plan Implementation	8.15	24.8	0.00	0.0	4.48	30.2
1.3. Sustainable Economic Activities in PAs and Buffer zones	7.49	22.8	0.00	0.0	1.51	10.2
2. Institutional Development		0.0		0.0		0.0
2.1. Training and TA INRENA/ PROFONANPE	2.47	7.5	0.00	0.0	1.74	11.7
2.2. Capacity Building of Civil Society	0.99	3.0	0.00	0.0	0.64	4.3
2.3. Public Awareness Program	1.52	4.6	0.00	0.0	0.31	2.1
2.4 SINANPE-based MIS	0.76	2.3	0.00	0.0	0.50	3.4
3. PA Financing, Project Administration, M&E and Info Dissemination						
3.1. Increase of Endowment Fund	6.00	18.3	0.00	0.0	3.00	20.2
3.2. Financing Strategy for SINANPE	0.30	0.9	0.00	0.0	0.30	2.0
3.3. Project Implementation and Monitoring and Evaluation	2.45	7.5	0.0	0.0	1.10	7.4
3.4. Information Dissemination	0.12	0.4	0.00	0.0	0.10	0.0
<b>Total Project Costs</b>	32.84	100.0	0.00	0.0	14.83	100.0
<b>Total Financing Required</b>	32.84	100.0	0.00	0.0	14.83	100.0

**Project Component 1: Participatory Protected Area Management** (US\$18.23 million; 55.5% of total project cost. GEF US\$7.14 million; Netherlands cofinancing US\$3.65 million, Germany parallel financing US\$4.31 million).

The objective of this component is to involve civil society, private sector and local community organizations in the decision-making processes and management of the PAs and share in the benefits resulting from the PA sustainable use.

*Outputs:* The expected outputs of this component are: (i) two PA master plans prepared and four updated, several resource management plans prepared, all of them implemented; (ii) studies and PA-specific data baselines to support management and monitoring and evaluation activities; (iii) all PAMCs fully functional in each participating PA; (iv) the management of three PAs and services in support of management contracted out to civil society private sector and communities; (v) all PA basic infrastructure established,

and equipment and staff requirements provided to ensure adequate conservation; and (vi) threats to biodiversity reduced and environmentally and socially sustainable economic activities in PA and buffers zones promoted.

*Activities:* To produce the above outputs, the component would support activities in three subcomponents: (i) participatory preparation and updating of master and resource management plans, including: threat and root cause analysis, social studies, natural resource inventories, boundary demarcation, targeted research, establishment of management rules and norms, sector plan preparation etc.; (ii) implementation of master and resource management plans, including infrastructure, equipment and operating costs through PA management services contracts with the nonprofit private sector; and (iii) financial support and technical assistance for 30 conservation and sustainable use programs in PAs and buffer zones and 100 small-scale sustainable economic activities in PA buffer zones, compatible with management plan objectives and designated use zones. The approval by PROFONANPE of the Sustainable Economic Activities Operations Manual will be a condition of disbursement for expenditures related to those activities.

**Project Component 2: Institutional Development** (US\$5.74 million; 17.5% of total project cost. GEF US\$3.19 million; Netherlands cofinancing US\$0.59 million; Germany parallel financing US\$1.71).

The main objective of this component is to consolidate PA management through: (i) the strengthening of INRENA, PROFONANPE, PAMCs, civil society organizations and private sector to manage the PAs collaboratively; (ii) increased public awareness of the importance of Peru's biodiversity and the role of PAs; and (iii) the development and implementation of a management information system.

*Outputs:* The expected outputs of this component will be: (i) a strengthened INRENA, PROFONANPE and PAMCs as well as increased organizational capacities to manage and administer PAs in participation with civil society and private sector; (ii) strengthened local civil society organizations, equipped to support project objectives; (iii) an environmental behavioral change through increased conservation awareness; and (iv) an enhanced decision-making process by national administrators, stakeholders and civil society organizations through better and updated information on PA management and biodiversity.

*Activities:* To produce the above outputs, the component will support activities in four subcomponents: (i) staff training and technical assistance for INRENA and PROFONANPE; (ii) capacity building for PAMCs and civil society institutions and organizations located in the proximity of project PAs; (iii) development and implementation of a biodiversity conservation-based public awareness program including media campaigns, internet home pages and school education materials; and (iv) design and implementation of a SINANPE Management Information System (MIS).

**Component 3: PA Financing, Administration, Monitoring and Evaluation, and Information Dissemination** (US\$8.86 million; 27.0% of total project cost. GEF US\$4.50 million; Netherlands cofinancing US\$0.21 million; KfW parallel financing US\$1.57; Finland contribution to PROFONANPE endowment fund of US\$2.5 million and PROFONANPE's contribution to endowment fund: 0.5 million).

The main objectives of this component are to increase the PROFONANPE endowment fund, design and implement a SINANPE financing strategy, manage and monitor the project and disseminate information on the project's progress and achievements.

*Outputs:* The expected outputs of this component will be: (i) an increase in the endowment fund by US\$6 million; (ii) increased private sector contributions; (iii) an updated and operating Monitoring and Evaluation system appropriate for PROFONANPE providing timely reports; (v) improved institutional capacity for financial management of the PAs; (vi) enhanced relations with national, regional and local civil society and

private sector; and (vii) relevant experiences and “lessons learned” disseminated to other PAs in Peru’s SINANPE and abroad. In particular, the experiences associated with promoting increased private sector inputs in the financing of PAs and innovative resource generating mechanisms will be disseminated.

*Activities:* To produce the above outputs, the component would will support activities in four subcomponents: (i) an increase in the endowment fund of US\$6 million (US\$3 million from GEF, US\$2.5 million from Finland and US\$500,000 from PROFONANPE); (ii) design and implementation of a SINANPE financing strategy; (iii) project implementation; (iv) design and operation of a monitoring and evaluation system; (v) design and implementation of an information dissemination strategy on lessons learned using reports and workshops

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

The proposed project reinforces the key policy initiatives promoted by the GOP in the Natural Protected Area Law and in SINANPE’s Strategic Plan which give INRENA the mandate to involve the private sector in PA management by contracting non-profit organizations for PA management. It will also be a first experience to manage PAs via management services contracts and involving various stakeholders.

The project will support PAMCs, an instrument for active participation of interested stakeholders in planning and overseeing PA management. The project will strengthen INRENA and other public institutions to work collaboratively with civil society and the private sector in the conservation of biodiversity. The project will also promote gender equity policies in PAs.

The project will implement a SINANPE financing strategy. The project will build PROFONANPE’s capacity to use innovative financing instruments and increase the availability of PA funds from local sources in Peru. It will also double PROFONANPE’s capacity to finance SINANPE recurrent costs.

The project will support the strengthening of a critically-needed management information system to: (i) enhance the management and conservation of the country’s biodiversity; (ii) strengthen INRENA’s ability to promote public awareness; and (iii) make informed decisions for long-term PA sustainability.

## **3. Benefits and target population:**

The project objective is to ensure biodiversity conservation without hindering the legitimate rights of people living within the PAs and their buffer zones. Hence, the main benefits relate to the maintenance of ecosystem functions and services, the conservation of flora and fauna species and of genetic diversity for the benefit of local populations and of society at large. The project’s strategy seeks to diminish human pressures in PAs and buffer zones by demonstrating sound alternatives to the present unsustainable production practices in proximity to, and within PAs. Therefore, the project will promote sustainable economic activities for these people, providing incentives for conservation while strengthening local economies. Better management will have a positive impact on the livelihood of hunters, gatherers and farmers, as they will be presented with options that are biodiversity-friendly and economically more attractive. Women in particular will benefit from the gender equity approach. Local communities and other stakeholders will also benefit from training and capacity-building measures. Subcontracting of PA management to the private nonprofit sector will enhance the overall efficiency of PA management and attract additional financing.

Peru has adopted a policy principle based on coexistence of people with protected areas, and therefore no resettlement is envisioned. However, in exceptional cases, such as in areas zoned for strict conservation, there might eventually be the need for limiting access to resources. In these cases, a Process Framework has been established, complying with OD 4.30 requirements (Annex 13); and any restrictions on access to

resources will be defined jointly with the affected communities in the preparation of the PAs' management plans. Alternative revenue-generating activities will be developed as part of the management of these areas and targeted to affected people.

The implementation of PAMCs will allow communities to play important social and economic roles, as well as to increase the PAs long-term local acceptance and social sustainability. Individuals from the PA communities, as well as those living in buffer zones, will represent these key constituencies to ensure PA conservation and benefit sharing. There is also a potential for revenues to local communities through services provided to the PA administration and visitors.

#### **4. Institutional and implementation arrangements:**

The proposed project will be implemented over a period of six years. PROFONANPE will be the recipient of the GEF Grant. INRENA will implement all activities related to the management of PAs as well as its own institutional strengthening activities (training, TA and MIS). All other activities will be subcontracted by PROFONANPE to the private sector and civil society.

A framework agreement between INRENA and PROFONANPE (agreed upon during appraisal) defines the roles and responsibilities of both institutions under the project. The responsibilities of INRENA are to: (i) prepare terms of reference for PA technical studies and carry out quality control of the studies; (ii) subcontract PA management to the private non-profit sector in accordance with Supreme Decree 038-2001 and Bank guidelines; (iii) use a participatory and gender equitable approach to PA planning and management; (iv) monitor the technical implementation of the PA management services and other contracts and buffer zones; and (v) comply with and enforce the requirements for environment, social development, indigenous peoples and other safeguards in PA management. PA management service providers will be selected and contracted by INRENA according to its own procedures modified to comply with Bank guidelines. PAMCs will be involved in the management service providers' selection process.

The role of PROFONANPE is one of a financing agency. It will pay: (i) consultants and management service providers contracted by INRENA; and (ii) PA works contractors and suppliers. It will contract and delegate implementation and supervision of components 1.3, 2.2, 2.3 and 3.2 to specialized agencies, institutions and consulting firms.

This project presents a unique opportunity for INRENA and PROFONANPE to consolidate their relationship and contribute to the successful implementation of INRENA's core institutional functions. Since the role of both institutions has been evolving over time and to ensure that the above arrangements fit within a long-term strategic view of SINANPE's management, a long-term institutional study to define the roles of both institutions in the management of SINANPE will also be prepared under the Project. The terms of reference of the study are in the project files.

PROFONANPE's Board of Directors will provide overall guidance and supervision to the project. A project-specific Administrative Board (*Junta de Administración*) including one representative of INRENA, one of PROFONANPE, one representative of the PAMCs on a rotating basis and one observer of the Dutch Government will be established and will meet at least twice per year to review project progress and approve annual work plans and audits.

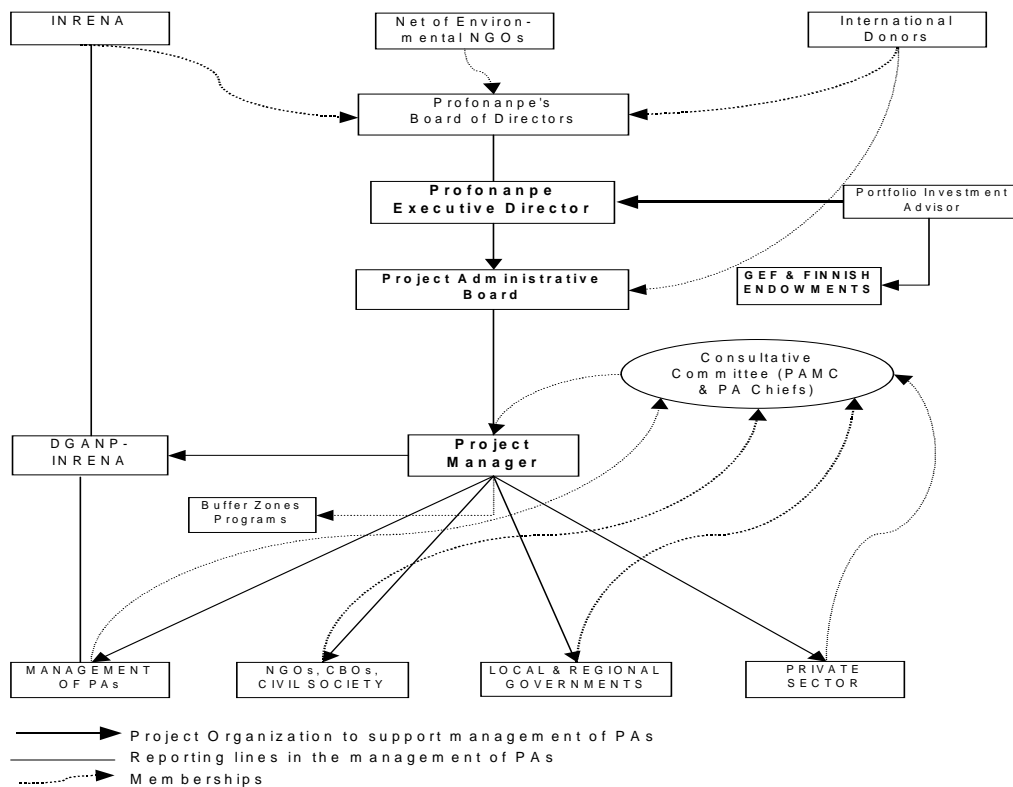
A project director will be responsible for the day-to-day operations. The project director will meet every two months with a consultative committee of PA chiefs and PAMC representatives to ensure that field experience is reflected back into the work plans and to smooth out operational difficulties. PROFONANPE will recruit a procurement specialist to assist the various actors with procurement issues and related Bank

rules and procedures. An environmental specialist will ensure the environmental quality of the activities financed by PROFONANPE as well as compliance with Bank environmental guidelines. PROFONANPE's administrative structure will support project implementation.

PROFONANPE will contract specialized agencies, institutions and private consulting firms to design and implement the PAMC and civil society strengthening program as well as the public awareness program. PROFONANPE will also contract a specialized agency to design and manage the sustainable economic activities program in coordination with INRENA, the PA management service providers and PAMCs. This includes the design of the sustainable economic activities operations manual, the evaluation of the subproject proposals as well as the administration of the program itself. PROFONANPE will provide guidelines for evaluation of programs and subprojects. **The contracting of this agency to prepare the manual and implement the program and the adoption by PROFONANPE of the manual are conditions of disbursement of the funds for these activities.**

PROFONANPE's present asset manager will manage the endowment fund portfolio (Annex 16) and a part-time external advisor will advise on financial investment options.

### Project Organization Chart



### Reporting and Supervision.

PROFONANPE will present half-yearly and annual project and endowment fund progress reports based on the model for financial monitoring reporting (Annex 6). The reports will include a specific chapter on progress with the gender strategy. The annual project workplans and procurement plans will be discussed and submitted to the Bank for approval. The Bank will carry out six-monthly supervision missions in coordination with the Dutch, German and Finnish Government Representatives in Lima. A project

launching workshop will take place at the onset of the project and a mid-term review during the third project year.

## **D. Project Rationale**

### **1. Project alternatives considered and reasons for rejection:**

Considering that the main thrust of the project is to increase the involvement of civil society organizations and the private sector in PA management, the evaluation of alternatives was centered on the best institutional arrangements to achieve this purpose.

a) Implementing the project through INRENA (a public sector agency with overall responsibility for protected areas management, under the Ministry of Agriculture) was examined and rejected for the following reasons: (i) it fails to support INRENA's policy shift towards delegation of on-the-ground action to private-sector actors and focuses instead on core values of long-term strategic planning, overseeing, and monitoring of SINANPE; (ii) PROFONANPE as a private institution is better positioned to channel resources to private agents in SINANPE; (iii) the proposed project will allow PROFONANPE to better fulfill its broader mandate, diversify its client base and enhance its capacities to play a pivotal role in SINANPE'S sustainability; (iv) INRENA will remain focused on those protected areas where civil society organizations and the private sector are not yet interested for reasons of security and isolation; and (v) placing the project within PROFONANPE was also judged to be the best option, taking into account the World Bank's ICR recommendations for PROFONANPE to fully implement its mandate in financing environmental education and public awareness programs and to implement projects that integrate conservation and development to benefit communities living in the protected areas and their buffer zones.

b) Focusing the project exclusively on financing civil society and the private sector was also rejected for the following reasons: (i) there is still an important need to provide support to INRENA as the lead agency responsible for biodiversity conservation in SINANPE, and as the main institution for protected areas management in isolated protected areas where civil society and the private sector are not active; (ii) international experience has shown that leading public agencies such as INRENA can play a key role in the definition and implementation of much-needed public goods such as strategic planning for SINANPE's management, policy making for implementing the strategic plan, information production and dissemination of information and good practices; and (iii) other protected areas, beyond the boundaries of this project, will benefit through INRENA from important activities such as capacity building, networking and information exchange.

### **2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).**

The World Bank is implementing four complementary GEF projects in Peru: (i) the *Indigenous Management of Protected Areas in the Amazon*, dealing with indigenous management of five PAs located in the Amazon region; (ii) *Participatory Conservation and Sustainable Development with Indigenous Communities in Vilcabamba* project (MSP); (iii) *Collaborative Management for the Conservation and Sustainable Development of the Northwest Biosphere Reserve* (MSP); (iv) *Biodiversity Conservation and Community Natural Resource Management Project in the Nanay River Basin* (MSP).

UNDP is presently responsible for the implementation of the following GEF-supported projects: (i) *Biodiversity Conservation of Lake Titicaca*; (ii) *Conservation and Sustainable Use of the Biodiversity of the Amarakaeri Indigenous Lands* project; (iii) *Collaborative Management for the conservation of Native Cultivars and their Wild Relatives* project. The latter strengthens SINANPE stakeholders' capacities, involving indigenous peoples and practices in resources management; and (iv) *Conservation and*

*Sustainable Use of the Central Lomas of Southern Peru* targets the Sechura desert.

A few other MSPs are under preparation: (i) *Conservation of the Ampay National Sanctuary and the Sustainable Development of the Mariño Watershed* targets the Peruvian Yungas and the central Andean Puna; (ii) *Conservation of Biodiversity and Sustainable Development in Indigenous Lands Ashaninka in Central Amazon of Peru* targets the Southwestern Amazon Moist Forest; (iii) *Sustainable Management of Biodiversity of the Cotahuasi Basin* falls within the Sechura Desert and Central Andean Puna; and (iv) the *Sechura Wetlands Conservation* project.

The Bank is also supporting the Critical Ecosystems Partnership Fund (CEPF), in partnership with GEF, Conservation International, the MacArthur Foundation, and the Government of Japan. This CEPF project will support conservation activities to consolidate the Vilcabamba-Amboro corridor of Peru and Bolivia, which encompasses two of the areas to be supported under this project (Bahuaja-Sonene and Tambopata Candamo). The Ecosystem Profile prepared to guide CEPF's investments in the corridor has fully taken into account the existence of this project and does not contemplate investments in the consolidation of these two areas. Thus, the CEPF complements rather than duplicates the goals of this project.

The German Technical Cooperation finances several SINANPE's activities projects through PROFONANPE. These are: (i) four technical advisors to INRENA; (ii) infrastructure, equipment and the development of master plans for six PAs; (iii) recurrent costs, mainly salaries, in nine PAs; (iv) the management of buffer zones in Alto Mayo PF; (v) FANPE Project (implemented through GTZ); and (vi) Conservation, Management and Sustainable Use of the Biological Diversity of the Paracas NR. KfW is providing US\$6.81 million debt-for-nature swap for the Cuenca de Morona Pastaza prospective PA and this amount has been included as parallel financing of this project, given its complementary nature. This project involve the establishment of a communal reserve or a binational biosphere reserve.

In June 2002, the USA and Peru Governments have signed a US\$10.6 million debt swap agreement to be disbursed over a 12 year period.

The Dutch Government cofinances this project on a total amount of US\$4.45 million. It has also contributed for project preparation as complement to the GEF Block-B as well as finance for local capacity building in various PAs and their buffer zones including Bahuaja-Sonene NP, Huascarán NP, Yanachaga-Chemillén NP, Tambopata-Candamo NR, Lagunas de Mejía NS and through national or international NGOs in the mangrove forests of northwestern Peru.

Some projects geographic overlapping occur, in particular in the Bahuaja-Sonene NP, Huascarán NP and Tambopata-Candamo NR. These costs, however, have been included as part of the baseline in the incremental cost analysis. These three largest of the five selected PAs have the greatest needs for effective management through civil society and private sector involvement. The type of investments provided by the above mentioned agencies complement, rather than duplicate these project activities.

Finland Technical Cooperation is currently providing strong financial support to the management of Macchu Picchu NS and finances scientific studies of Amazonian biodiversity (*Biological Diversity in the Peruvian Amazon*).

Finally, the European Union is financing the *PROMANU* Project, aimed at the sustainable development of the Manu NP and Manu Biosphere Reserve.

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<b>Bank-financed</b> Natural resources management	Sierra - Natural Resources Management and Poverty Alleviation Project	S	S
GEF - Financed			
Biodiversity	Indigenous Management of Protected Areas in the Amazon	S	S
Biodiversity	Participatory Conservation and Sustainable Development with Indigenous Communities in Vilcabamba	S	S
Biodiversity	Collaborative Management for the Conservation and Sustainable Development of the Northwest Biosphere Reserve	S	S
Biodiversity	Biodiversity Conservation and Community Natural Resource Management Project in the Nanay River Basin	S	S
<b>Other development agencies</b>			
United Nations Development Program (UNDP) Biodiversity	Biodiversity Conservation of the Titicaca Lake; Conservation and Sustainable Use of Biodiversity of the Amaraeri Indigenous Lands; In-Situ Conservation of Native Cultivars and their Wild Relatives;		
European Union (EU) Biodiversity	GEF Small Grants Program Sustainable Development of the Manu National Park		
Finland	Support to Macchu Picchu; Biological Diversity in the Peruvian Amazon		
Germany (GTZ + KfW) Biodiversity	NPA Protection Program; Technical Assistance to SINANPE Institutional capacity; Recurrent Costs Financing of 9 PAs;		

	<p>Technical assistance to SINANPE (FANPE); Alto Mayo Integrated Development; Conservation, Management and Sustainable Use of the Biological Diversity of the Paracas National Reserve.</p>		
<p>Netherlands Biodiversity</p>	<p>Capacity building in various PAs and their buffer zones implemented through national or international NGOs. Protected areas include: Bahuaja-Sonene NP, Huascarán NP, Yanachaga-Chemillén NP, Tambopata-Candamo NR, Lagunas de Mejía NS and, in the mangrove forests of northwestern Peru.</p>		
<p>United States of America International Development Agency USAID</p>	<p>Conservation and Management of Fragile Ecosystems (BIOFOR)</p>		

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

### Why additional GEF funding is needed

The project preparation team has carried out two estimates of the financial needs: at the level of the PAs included into the project and at the overall SINANPE level.

#### The Baseline

In light of the system’s size and diversity, existing and growing threats, and current financial crisis in the public sector, the long-term conservation of the ecosystems of global importance proposed in the GEF Alternative does not appear possible under currently secured financing.

Analysis of financing needs and resources at the level of the six protected areas. The currently secured financing constitutes the baseline scenario of this analysis. The GEF alternative is presented as the baseline scenario plus the activities to be financed by GEF and the cofinanciers during the life of the project. Relevant projects that have been used as a basis to determine the proposed project baseline are presented in Table 1.

As shown in Table 1, large portions of the country’s Amazon rainforest receive little assistance. While some PAs protecting portions of the Central Andean and Wet Puna receive assistance, the magnitude and range of threats far exceed existing institutional and financial capacity. Peru’s last representative sample of mangroves receives virtually no support at all and remains at risk. Moreover, all proposed PAs under the GEF Alternative are increasingly subject to growing threats associated with non-sustainable land use and other extractive pressures in their adjacent buffer zones. Under the baseline scenario, these practices are likely to continue and expand into the PA core areas.

The low level of support to PAMCs means that little progress will be made addressing threats by incorporating local stakeholders into the management of these critically important PAs. Despite GOP's policy to establish collaborative relationships with civil society and private sector in managing PAs, there is no other sizeable project at present dedicated to support this objective. Thus, the policy will likely remain unimplemented under the baseline scenario. Finally, the lack of funds under the baseline scenario for addressing the information management constraint means that INRENA's effectiveness in responding to the needs of SINANPE will remain slow and inefficient.

**Table 1. Major OP-related Assistance Projects used to Calculate Baseline Cost**

Donor/Project Title	INRENA Central Office	PAs to receive support under PROFONANPE II**						Activity Type					
		Tambopata-Candamo NR	Bahuaja-Sonene NP	Salinas & Aguada Blanca NR	Huascarán NP	Manglares de Tumbes NS	Morona Pastaza	Staff	Equipment	Infrastructure	Institutional Strengthening	Studies, Planning, Management	Small-scale Dev. Activities
<b>GOP</b>	x	x	x	x	x	x	-	x	-	x	x	-	-
<b>GEF/World Bank</b> Indigenous Management of PA in the Amazon	x	-	-	-	-	-	-	x	x	-	-	-	-
<b>German Technical Cooperation</b> -SINANPE Institutional Capacity -Strengthening 6 PAs -Recurrent Costs of 9 PAs -FANPE	x	-	-	-	-	-	-	x	x	-	x	-	-
	-	-	-	-	x	-	-	x	x	x	x	-	-
	-	-	-	x	x	-	-	x	x	x	-	-	-
	x	-	-	-	-	-	-	x	x	-	x	x	-
<b>Dutch Technical Cooperation</b> Conservation and Sustainable Use of Natural Resources in the Tambopata-Candamo Reserved Zone and the Bahuaja-Sonene NP and Buffer Zones.	-	x	-	-	-	-	-	-	-	-	x	x	-
<b>USAID</b> BIOFOR	x	x	x	-	x	-	-	-	x	-	x	x	x
<b>Spanish Technical Cooperation</b> Araucaria-Colca Project	-	-	-	x	-	-	-	x	x	x	x	-	-
<b>Mountain Institute</b> Andean Program	-	-	-	-	x	-	-	-	-	-	x	x	-
<b>Conservation International</b>	-	x	x	-	-	-	-	-	-	-	x	x	-

Analysis of financing gap at the aggregate SINANPE level. The financial gap analysis has estimated the financing needs and resources over the period 2000-2010. The provisional results of this analysis indicate a gap of about US\$30 million, after accounting for the funding under this project. The SINANPE needs are estimated at US\$96 million (US\$10 million in investments, US\$56 million in salaries and operating costs and US\$30 million in support to buffer zones). The estimated resources available to meet this need are

about US\$66 million. In the longer term, two lines of actions are necessary: (i) increasing the endowment fund to finance PA operating costs, and (ii) increasing the sources of revenue in each area. The first action is now being addressed through the proposed increase in the endowment fund (but further increases will be needed). The second action will be addressed through the formulation of a financing strategy whose end objective will be to expand and diversify SINANPE's traditional funding sources (Annex 17). As part of the strategy formulation process, pilot financial instruments will be designed and implemented in PAs covered by the project.

#### Present Financing of the System (Annex 17)

In the base year, SINANPE's estimated funding level was US\$6.25 million. The main sources are public funds and grants, the latter supported through multi- and bilateral assistance organizations and NGOs. The major sources of public funds are: the government treasury, PA generated revenue (dominated by concession and entrance fees and to a much lesser extent research and photography permits) and debt swaps. In aggregate, public funding represented US\$2.23 million or approximately 36% of the SINANPE's total funding in the year 2000. The percent of debt purchase financing is projected to increase significantly with the recent agreements reached with Canada, Germany and the USA. Grant funding accounted for approximately 64% of SINANPE funding of which bilateral funding was the major source of funds (36%).

### **3. Lessons learned and reflected in the project design:**

#### Lessons learned from PROFONANPE I

Recommendations were made in the mid-term review of 1998, the ICR and the Aide-mémoire of the final GEF supervision in December 1999 and the Independent Evaluation of January 2000.

Trust Fund financial resources should also be invested in large, developed markets, in order to minimize investment risks. Portfolio management and investment agreements need to include clear guidelines for investment risks, asset quality and portfolio diversity. Investment contracts must include performance clauses so that the owner of the assets can move the funds out of the portfolio in the event of portfolio mismanagement. PROFONANPE's current investment policy already incorporates these recommendations and the asset management strategy stipulates clear rules for sound financial management (Annex 16).

The proposed project fully supports the ICR's recommendations to PROFONANPE to finance the involvement of civil society and the private sector in SINANPE's management and programs.

#### Lessons learned from other countries:

This section draws heavily on the Mexican experience, given its similarities to the situation in Peru (*Putney, Allen et. al. March 2000. Independent External Evaluation. Proyecto de Areas Naturales Protegidas. Government of Mexico, FMCN, WB*).

The importance of adequate legal instruments to delegate responsibility between the public sector and the civil society/private sector involved in the management of protected areas cannot be overemphasized. Many pilot operations involving the civil society/private sector in the management of PAs have run into problems because the legal arrangements between the public owner of the protected area and the private concessionaire/administrator were unclear or confusing. PROFONANPE will have to recruit a legal expert to ensure that the contracts are clear and can be implemented.

The importance of long-term sustainability of private sector involvement. Short-term administration and

concession contracts normally do not provide sufficient incentives to civil society and the private sector to place high-level staff and resources in the management of PAs. Therefore, the project appraisal team has examined how continuity and sustainability could be ensured. The increased endowment fund and the implementation of the SINANPE financing strategy will add credibility to the financial sustainability of PA management and be an incentive for the private sector to dedicate adequate resources to this contract.

The critical requirement for the effective operation of PAMCs is to have well-informed stakeholders; PAMC members need clear definitions and objectives of PAMC rules, procedures and responsibilities. It must be clearly stated that decisions must be related to conservation as the main axis of interchange. Consequently, training programs will provide a continuous flow of information directed to PAMC members through newsletters and other media instruments.

PAMCs also require a good balance of members' power in the decision-making process to avoid conflicts. PAMCs require, at the very least, a set of clear and consensual decision-making rules. A review of the rules regarding PAMC membership, operation and recommendations for assimilating lessons learned from other countries will be developed throughout project implementation.

Much of the successful leadership of PAs for the conservation of biodiversity and sustainable use of resources relies on very well-trained PA staff, in particular senior staff. Training programs for PA staff will include the development of abilities in public relations and in technical and financial support to local initiatives.

Finally, there is need for transparency in the funds assignment in each PA. MIS and awareness programs will be used by the project as the main means to meet the transparency requirements.

### **Independent External Evaluation of PROFONANPE: Summary**

PROFONANPE requested an external independent evaluation to obtain a critical view of its results. In general, the review concluded that PROFONANPE is a solid institution that has gone through an important institutional strengthening program, and has earned the trust of both donors and project implementation agents. The most striking result of the institution's performance is that in a period of only five years it has managed, jointly with other actors, to double the funding available for SINANPE. Such an unprecedented achievement, the climate of confidence it has generated, and the valuable experience gained by PROFONANPE makes it clearly eligible for new and larger projects than those underway.

According to the evaluation, the best indicators of PROFONANPE's performance are the following (in 2000): (i) raising US\$16 million and resource commitments for an additional US\$11 million to be executed starting in 2000; (ii) average return on investment portfolios of 13.3% in 1996; 9.6% in 1997; -3.3% in 1998, and 5.9% through September 1999 (Annex 16, Attachment A); (iii) implementing US\$5.4 million of investment for SINANPE; (iv) channeling funds towards 17 protected natural areas with concentration on 10 areas; and (v) reduced operating expenses as a percentage of operating costs, from 38% in 1996 to 15% in 1999; and a 92% disbursement capacity (1996-1998).

The following weaknesses were also identified: (i) a weak strategic framework, especially concerning a second phase when it will engage in direct fund raising; (ii) a decision making process that could benefit from more agility and that results in decisions that are not necessarily the most relevant from a strategic viewpoint, thus advising: a better use of the various departments within the agency and the synergies among them; and a more careful handling of potential or apparent conflicts of interest; (iii) a rigid institutional framework that does not provide sufficient room for the structural adjustments required for the agency's growth; and (iv) channeling of funds to only a handful of actors. Recommendations of the review were:

<b>In the Short Term</b>	<b>Actions Taken</b>
To diversify the actors benefiting from PROFONANPE's financial assistance	PROFONANPE is financing two more NGOs
To use the project as a catalyst to attract and coordinate financial support from other donors	PROFONANPE is now managing about US\$38 million in donor funds (March 2002)
To explore the possibility of linking donations aimed at PROFONANPE with a loan aimed at strengthening the public sector.	Possibilities have been explored, but attempts to obtain loans for the public sector have been unsuccessful as the country's borrowing capacity is limited
For the PROFONANPE Board of Directors to push for a law exonerating PROFONANPE of taxes	Neither the Ministry of Economy and Finance nor the World Bank favor tax exonerations. Nevertheless, some Value Added Tax reimbursement for management contracts is being sought.
To modify PROFONANPE's operational manual to establish subcommittees within the technical committee, each one presided by a member of the Board; to appoint new expert members for each subcommittee and establish a member rotation mechanism	A subcommittee for financial and strategic planning has been established. Proliferation of more subcommittees is feared to create confusion and overlap. Member rotation mechanism (every 2 years) established
To establish a mechanism to avoid conflict of interests in the Board	Modification of Board would require a modification of the law to move INRENA out of the PROFONANPE Board, which is not advisable at this moment and could have negative consequences for PROFONANPE's ability to raise funds from debt swaps.
To develop a new strategic plan	Ongoing to be finalized by December 2002
To strengthen the Management in the technical and financial management departments	Additional staff has been recruited
To create a financial management committee to supervise the portfolio management	Done
To develop a financial management strategy	Investment guidelines are now part of the contract with asset managers
To contract the services of an expert who knows the risks of funds embargoes abroad to ensure that PROFONANPE does not run the risk of such embargoes	Done
To introduce a rotation system for the Members of the Board of Directors	Two years rotation system introduced
To bring together and leverage a wider range of the diverse capabilities present across the State, civil society, local communities, indigenous groups and the private sector to preserve and – in cases requiring less protective management – to profit in a sustainable manner from the natural resources in the areas under SINANPE;	This will be done under this project
To support INRENA's efforts to increase its management capabilities as a directing, control and catalyst agent.	This process is ongoing;
Adopt a system of monitoring and evaluation of the institution in general	Done
<b><u>In the Long Term:</u></b> To develop a broad participation process for project design as a mechanism to begin updating PROFONANPE's strategic framework, and promote the initial studies to quantify the SINANPE's capital and their potential to generate resources, mainly in environmental services and tourism;	Project has been prepared with a wide range of partners; however Bank rules on conflict of interest limit NGO participation during project preparation as NGOs participating in project preparation can not obtain contracts for services under the project.
To coordinate the inputs from a larger number of donors and community players by including funds earmarked for co-financing;	This has been done during the last years and will be continued under this project.
To modify the PROFONANPE Law to ensure that the President of the Board, the representatives of NGOs, and the representative of the donors would be appointed by the Board itself	Considering the important Government funds PROFONANPE is managing, the chances that such Law would pass are very small. The Board does now function very well, and seeking modifications in the Law at this stage would not be opportune.
To rotate the Board members more frequently	Board members are rotated every two years
To use PROFONANPE funds as leverage for more contributions to SINANPE	Ongoing, also under this project.

#### **4. Indications of borrower and recipient commitment and ownership:**

The PROFONANPE Executive Board, including INRENA and national NGO representatives approved the project design in March 2000. An endorsement letter was received from the National Environmental Council (CONAM) as GEF Focal Point on 29 February 2000. The proposal for Block B funding was endorsed by the PROFONANPE Executive Board. The PCD has been endorsed by the PROFONANPE Board on November 22, 2001 and by CONAM on March 18, 2002. PROFONANPE has actively participated in the preparation of the project. An endorsement letter from the Ministry of Economy and Finance was sent to the World Bank and GEF on August 26, 2002.

GOP contribution to PA financing remains important. In Peru, debt swaps in support of a specific project entail an elaborate evaluation process. All activities proposed to be financed under this mechanism pass through two steps: (i) the project/program has to be considered a sector priority by GOP; and (ii) said priority has to be reflected in the investment plan formulated by MEF. Furthermore, the *Ley de Inversiones* requires that the public treasury makes a financial commitment to debt swap supported projects, just like all other internationally-supported investments.

Since 1995, PROFONANPE has completed 7 debt swaps for a total value of US\$27 million equivalent. This has been achieved because conservation reflects the high national priority GOP (through MEF) and the international community. In the absence of this strong public recognition of the sector's importance, the debt swaps could have been directed to address other national priorities (e.g., poverty alleviation, social infrastructure, and/or alternative development). GOP's support for PROFONANPE demonstrates that the sector is a priority.

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

The Bank, with its extensive experience in biodiversity conservation as well as decentralized, demand-driven rural investment projects, is well placed to support the GOP in its efforts to improve PA management through the implementation of decentralized management systems with strong stakeholder participation and clear biodiversity conservation objectives. Bank participation in the project would complement central government and local expertise, bringing lessons and insights from related projects in other countries to ensure the design of an effective program of technical and financial assistance.

The project will also benefit from the Bank's involvement in related rural development projects in Peru (such as the Sierra Natural Resources Management Project), which strengthen local organizations and increase their participation in project design and implementation. The Bank has experience in the management of projects of national scope, and has a Regional Office with adequate staff located in Lima.

GEF, through the World Bank, financed the establishment of PROFONANPE and proven PROFONANPE's viability to manage an endowment fund as a way to finance the needs of PAs. The GEF's capacity to fund projects and to attract other financiers is important to meet the needs of a SINANPE. GEF is also actively supporting INRENA through the implementation of Indigenous Management of PAs in the Peruvian Amazon project and has good working experience with both organizations.

The World Bank/GEF will also contribute with its gained experience in working with NGOs in Peru: (i) the *Participatory Conservation and Sustainable Development with Indigenous Communities in Vilcabamba* project; (ii) the *Collaborative Management Project for the Conservation and Sustainable Development of the Northwest Biosphere Reserve*; and (iii) the *Biodiversity Conservation and Community Natural Resources Management Project in the Nanay River Basin*.

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

### **1. Economic (see Annex 4):**

- Cost benefit      NPV=US\$ million; ERR = % (see Annex 4)
- Cost effectiveness
- Incremental Cost
- Other (specify)

The incremental cost over the six-year life of the project is estimated as the difference between the costs of the GEF Alternative and the costs of the baseline situation. In the estimate of baseline costs within the PAs, only ongoing and relevant activities and their respective buffer zones were used. The exception was AECI assistance for the Manglares de Tumbes SN to be implemented by ProNaturaleza, which appears highly likely to be approved. While some of the support for these projects/activities may end prior to the completion of the proposed project, it was assumed they would be offset by new activities, as a number of national and international NGOs are developing new proposals for several of the proposed project sites. A detailed estimate of the baseline and GEF Alternative is included in Annex 4.

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

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

Total project cost is US\$32.84 million, divided into: (i) Participatory Protected Area Management (US\$18.23 million); (ii) Institutional Strengthening (US\$5.75 million); and (iii) PA Financing, Project Administration, Monitoring and Evaluation and Information Dissemination including the increment in the Endowment Fund (US\$8.86 million). Financial resources to fund this project will come from: the GOP (US\$1.88 million); GEF (US\$14.83 million); the Government of the Netherlands (US\$4.45 million); the Government of Germany, KfW (US\$6.58 million); Finland (US\$2.5 million); beneficiary contributions (US\$0.60 million) and PROFONANPE (US\$1.08 million). Local NGOs will contribute US\$1.0 million.

#### **Fiscal Impact:**

Overall there is a positive fiscal impact on this operation. GOP will contribute US\$1.88 million that will come from the INRENA budget during the six-year life of the project; at the same time, GP will receive taxes for about US\$2.1 million. SINANPE will receive grant funding from GEF, Germany, the Netherlands, and Finland to cover investment and recurrent costs, which otherwise INRENA would not have been able to fund. The additional endowment fund will provide US\$250,000 per year to finance recurrent costs in the SINANPE system. The establishment of management service contracts in at least three PAs will also reduce the need for increased financing from the Treasury. The implementation of the financing strategy will identify new sources of revenue.

### **3. Technical:**

The technical evaluation has focused on the threats to biodiversity, the social situation and problems (including the role of indigenous peoples) in each PA and on the capacity of the institutions and private sector to manage the PAs. To improve the quality of the master plans and related studies, INRENA is working out guidelines, standards and quality control mechanisms for the design (including techniques for consultations and consensus building) and implementation of master and resources management plans. A replication strategy/ plan for the project will be developed during project implementation. The preparation team has also examined how to ensure good quality management of PAs by the private sector, with particular emphasis on the integration of the experience of other countries into the PA management

contracts. Project preparation has also addressed issues in relation to eligibility criteria for sustainable economic activities.

#### **4. Institutional:**

An assessment of institutional capacities has been carried out at three levels with the objective of identifying the strengths and shortcomings of the main institutional agents that will participate in the management of protected areas. The findings are in Annex 14 and the project files.

A. A first-level institutional assessment has been made to evaluate the capacity of local NGOs, private-sector operators, grassroots communities, and indigenous groups in each PA to become involved with the project. Researched items included: (i) the range of formal and informal institutions in the public, private and not-for-profit sectors; (ii) an assessment of their specific interests, resources and mandates, and problems perceived by them in relation to the project; (iii) an assessment of institutions and institutional linkages that are critical for project success, and whether or not they need to be strengthened; (iv) constraints to equitable access to benefits and/or services by women and indigenous peoples; and (v) an examination of which institutional assets exist in indigenous communities including institutional linkages, which allow indigenous peoples to cope with formal organizations.

B. A second-level institutional assessment was conducted at the local government agencies' level (including municipal and central government agencies) to determine their strengths and shortcomings for becoming involved in the project. This assessment indicates the low degree of local government organizations' experience, capacity and interest to become involved in PA management committees.

C. A third-level institutional assessment has been carried out at the level of INRENA and PROFONANPE. The Dutch Government is financing a diagnostic and re-engineering plan of INRENA. The assessment evaluates the strengths and shortcomings of INRENA and PROFONANPE as pillar institutions for project implementation. In the case of INRENA the assessment includes: (i) identification of available resources and instruments for PA management; (ii) specific mandates in the areas of strategic planning, policy making, administrative organization, and information gathering and dissemination; (iii) legal instruments that shape its mandate; and (iv) its capacity to carry out policies for the administration of protected areas according to new laws and bylaws.

The Dutch Government is financing an INRENA institutional development program that takes into account the results of this assessment. In general, INRENA is considered to be an institutionally weak organization with multiple roles and responsibilities in difficult logistical and territorial situations. DGANP reflects a similar weakness. Therefore, the project will strengthen DGANP's capacity with additional staff (consultants), equipment and logistics. The institutional assessment of PROFONANPE includes an: (i) assessment of its corporate governance rules; (ii) assessment of management capacity (including procurement and financial management); and (iii) assessment of mandates, resources and problems in relation to project implementation. The assessment has highlighted PROFONANPE's administrative strength. PROFONANPE would however benefit from support in the technical field of environment and biodiversity.

#### **4.1 Executing agencies:**

PROFONANPE will be the proposed project's main executing agency. To date, it has successfully administered a GEF grant (Grant TF28612) (see also ICR No. 20625) for the creation, setting up and operation of PROFONANPE, and a grant (Block B grant TF28656) for the preparation of the present project. PROFONANPE presently implements several projects financed by other donors (KfW, the Government of Germany, the Government of Canada, the Government of Finland, the Government of the

Netherlands). These projects finance public sector, private sector, and NGO operations; and PROFONANPE has successfully demonstrated its ability to successfully complete public and private sector contractual arrangements.

INRENA will remain PROFONANPE's most important partner. INRENA is the public institute in charge of SINANPE and, despite the GOP's policy shift towards decentralized management, INRENA will most likely remain responsible for strategic planning and management of SINANPE, policy making, data collection and information dissemination, as well as monitoring and evaluation. INRENA's capacity to fulfill its role is crucial. In the past, INRENA has demonstrated that it has weak management and may have difficulties initially assuming its new role as partner with the private sector and civil society. These difficulties may be overcome by implementing institutional strengthening activities, which are now underway under the Dutch-financed INRENA Institutional Development Program.

Management Service Providers for PAs. In the stakeholder analysis the following non-profit organizations were identified as likely candidate institutions expected to submit proposals for management contracts: *Instituto de Montana, Instituto Kuntur de Investigación y Desarrollo Andino, CARE, DESCO and Asociación para la Conservación de la Naturaleza, Conservación Internacional, ProNaturaleza, WWF, Centro EORI, THREES and ACETTUM*. These agencies have significant experience in conservation management and related activities.

#### 4.2 Project management:

PROFONANPE will be responsible for project management. It will recruit a project director, a procurement specialist, an environmental specialist, a monitoring and evaluation specialist, and some administrative assistants. PROFONANPE will finance service contracts between INRENA and civil society, private sector operators and grassroots organizations. PROFONANPE will also finance contracts for the design and implementation of project subcomponents. PROFONANPE's relationship with INRENA has been defined in a framework agreement between both institutions reviewed during appraisal. To carry out the sustainable economic activities, PROFONANPE will recruit a specialized agency (NGO, institution or company). The present asset management firm will manage the endowment fund.

#### 4.3 Procurement issues:

A procurement assessment of PROFONANPE and INRENA has been carried out and was further reviewed during appraisal. The procurement risk is evaluated to be "**average**". To ensure smooth project implementation and considering the multiple service contracts, PROFONANPE will hire a procurement specialist to train PROFONANPE and INRENA staff in procurement of mainly consulting and management services, works and goods.

#### 4.4 Financial management issues:

An accredited financial management specialist conducted an assessment of the accounting, controls over disbursements and resources, planning and budgeting as well as the level of administrative staff. The assessment determined that PROFONANPE has proved to be a solid institution that has gained the trust of both donors and project implementing agents. This success clearly qualifies PROFONANPE as an eligible entity to implement larger projects. PROFONANPE's experience has allowed to develop the procedures and internal controls that contribute to a sound financial management system; however, the system still needs to be strengthened in terms of number of staff, adequate training to PAs staff, installment of the computerized system in the PAs; and the effective implementation of the procedures defined. Under these considerations, the *inherent risk* can be rated as *low*, but with a *medium control risk*, which can be downgraded to low if all systems and procedures defined for the operation of the project are implemented and put in place as

expected. On the basis of the assessment performed, the financial management team concluded that the financial management of PROFONANPE, currently satisfies the Bank minimum financial management requirements. This capacity has been further consolidated through the implementation of some key financial assessment recommendation in the areas of organization, staffing and the accounting system.

## **5. Environmental:** Environmental Category: B (Partial Assessment)

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

Most project activities will have a very positive environmental impact. The project's very nature and objective are to conserve biodiversity. Nevertheless, some activities under component 1 of the project (Participative Management of Protected Areas) may trigger environmental issues. Specifically, the Environmental Assessment (Annex 12) has identified two subcomponents under Component 1 that may trigger environmental issues: (i) Sub Component 2 (Implementation of Participative Management Plans); and (ii) Sub Component 3 (Sustainable Economic Activities). For this reason, an environmental framework (EF) has been prepared. According to the EF, activities in buffer zones and in resource use reserves under such sub-components will need to undergo a specific environmental screening which will be part of the subproject evaluation.

The EF has identified likely potential environmental impacts by the activities in the referred sub-components, and has grouped and presented them in the form of a data sheet that will be used as an input into the development of a screening system of activities on the resources within the PA and the buffer zones. The EF presents 6 categories of environmental impacts: (i) load capacity; (ii) visual impact; (iii) natural environment deterioration; (iv) solid and liquid waste; (v) fire and emissions; and (vi) hosts and visitors security. As in some cases the screening may be a complex interactive issue when financing activities under the project, an environmental impact analysis of some subprojects will be performed by specialists recruited by the specialized agency employed by PROFONANPE to assist the subproject preparation teams with *ad hoc* advice on environmental impact.

The EF also presents measures to mitigate adverse environmental impacts, if any, and provides practical steps to include such measure in the design of projects under the referred subcomponents. In this way, project design for all activities with possible adverse environmental impact will include a well-defined Environmental Management Plan (EMP).

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

The EF presents practical steps on how mitigation measures will be incorporated in the project design and implementation of activities to be financed under the referred subcomponents. The steps to prepare an EPM to mitigate the possible negative environmental impacts of some economic initiatives include: (i) screen every subproject under the referred subcomponents for environmental impact; (ii) include impact mitigation measures in the design and implementation of the subprojects whenever necessary, by providing specialized consultants to the design teams; (iii) consult with stakeholders on whether the impact mitigation measures can and will be implemented; and (iv) include in the monitoring and evaluation system the monitoring of compliance with the proposed mitigation. All these steps are described in Annex 12.

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

Date of receipt of final draft: May 2002

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

Since subprojects will be designed on a demand-driven basis, at the stage of environmental screening the stakeholders will be consulted by subproject design teams and within the framework of the PAMCs. Consultations are envisioned for all activities in the protected areas under the current Natural Protected Law, and are being applied for the case of environmental concerns.

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

The same monitoring and evaluation system as designed in INRENA (under the Indigenous Management of Protected Areas in the Peruvian Amazon) will be used to monitor the project's impact on biodiversity. As adverse impacts from other project activities are expected to be small and localized, the Project Monitoring and Evaluation System will include localized monitoring of the possible negative impacts identified during environmental screening. The EF proposes that PROFONANPE's monitoring and evaluation team in close cooperation with INRENA should: (i) establish a forum with sub-project implementers and private management providers, if any, to discuss and solve issues of mutual interest; (ii) design a standard format for monitoring information which project implementers will send periodically to PROFONANPE/INRENA; and (iii) prepare an annual report about activities implemented in all project Protected Natural Areas to be made available to all interested parties.

### 6. Social:

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

A comprehensive social assessment and consultation process were carried out in the six PAs and their buffer zones to identify main social issues and possible impacts arising from the project. The main results of this analysis are summarized below (see Annex 13 and the project files for complete documentation).

*a. Restrictions in access to natural resources.* Peru has adopted a policy principle based on coexistence of people within protected areas; therefore, resettlement is not envisioned to take place under the project. Instead, the project aims at preserving biodiversity without hindering legitimate aspirations of people living in those areas and it is expected to have a positive impact on their livelihood by promoting a better management of natural resources. However, in exceptional cases, as in areas zoned for strict conservation, there might be the need for limiting access to resources. To address the possible impact from this restriction, the project's social strategy comprises a Process Framework to operate under the following principles: (i) any restrictions on access to resources will be jointly defined with the affected communities during the preparation of the PA's management plans; (ii) participation mechanisms will ensure these communities to be actively involved in decision-making process, incorporating a gender perspective; and (iii) sustainable alternatives will be developed to provide affected people with revenue-generating activities with a positive impact on both biodiversity and people's income, to substitute damaging practices, both within protected areas and in buffer zones.

*b. Involvement of Indigenous Peoples.* In five protected areas in the project there are several ethnic groups that preserve some of their cultural traditions in spite of the pressures of migration, cultural deterioration, and urban growth. Most of them live in poverty or extreme poverty conditions, dedicated to agriculture activities and natural resources extraction. In the Andean area, the Quechua, Aymara and Collahua groups still preserve their language and some traditional practices in the use of natural resources. However, they are fully integrated to market practices and culture. In the Amazon area, the main indigenous groups are the Ese'ejá and some Quechua- Collahua groups who have migrated towards tropical areas seeking land. Demographic growth of these groups and changes in their consumption patterns have altered the balance in the use of natural resources and land use. Under the project, a specific strategy and Indigenous Peoples Development Plans have been designed to protect indigenous peoples rights and ensure that they benefit from the project by supporting sustainable activities rooted in their traditional natural resources

management and strengthening community organizations.

*c. Land Tenure Issues.* Five protected areas in the project have officially registered and defined boundaries. However, with the exception of Tambopata and Bahuaja Sonene, each PA faces some form of conflict over land. In Huascarán, three private fishing firms claims rights in the PA. In the remaining PAs there are a mix of unresolved conflicts among small landowners and indigenous communities; some have legal titles while others are illegally occupying PA lands. Though there are several land claims, the actual number of families living within the PAs is limited. While the Ministry of Agriculture is responsible for addressing this issue, PROFONANPE has resolved not to proceed to demarcation of those areas under dispute until an agreement is reach. The project will support these effort through participatory management planning and economic sustainable activities.

*d. Private Management Service Contracts.* The project proposes to promote private involvement in protected area management. Some communities have perceived this proposal as a “privatization” of protected areas that might affect their rights. There is also the argument that the proposed management service provider might become yet another hierarchical layer that complicates rather than facilitates the already difficult relationships between INRENA and the local communities. To address this issue, the selection of PA management service providers will be a transparent competitive process. Selection criteria will include: local and regional knowledge and linkage with involved communities; experience in participatory management of PA; and a gender perspective. PA Law provides for PAMCs involvement in the selection of private management service providers and supervision of its activities. The project will endorse this approach by supporting the establishment of PAMCs and encouraging community participation to ensure a social monitoring and control.

The project’s social strategy incorporates in an integrated manner, four different instruments to address above-described social issues and mitigate possible social impacts, namely: (i) a Process Framework to mitigate restrictions in natural resources in PA and prevent threats towards PA from buffer zones; (ii) Indigenous Peoples Development Plans to ensure indigenous peoples benefiting from the project; (iii) a Gender Strategy to ensure that both women and men benefit from the project according to their abilities and needs; and (iv) a Public Participation Promotion to guarantee stakeholders involvement in establishment an operations of PAMCs as a vehicle to participate in PA management. On the basis of this strategy specific Social Action Plans are to be prepared for each PA to be executed through Annual Programs. The project budgets comprises resources to carry out social plans preparation and implementation as well as PAMCs participation through the process.

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

The project has been prepared under a participatory approach comprising a beneficiary assessment involving population in PAs and buffer zones; this exercise helped to identify their expectations and social issues that might affect project implementation. Additionally, an extensive consultation process took place in the PA in the project comprising local NGOs and community organizations in surrounding communities. Overall, more than 500 people were contacted through various consultation mechanisms such as: 261 participants in local consultation meetings; 189 persons in focal groups (for public, private and social sectors); 74 surveys on environmental management and institutional development experiences; and 66 key informants in-depth interviews.

The results of these processes were further discussed in regional workshops and alternatives identified to address main social and environmental threats were discussed and agreed with main stakeholders. This participatory process will continue during preparation of PA management plans and social strategy action plans.

During implementation, participation is ensured by the PAMCs in which communities, private sector, NGOs and local and central government will participate through their representatives in decision-making and conflict resolution. Communities will also play an active role and benefit from small-scale economic activities financed under the project and from activities derived from the execution of the master and resource management plans.

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

National NGOs, representatives of large NGO networks, and local NGOs actively participated in consultation and in the project design stage. However, for those that might be involved during project implementation, participation in detailed project design was restricted.

During project implementation national and local NGOs will be invited to bid for contracts to implement PA management contracts and studies. Local NGOs and local government will also be able to participate through the PAMCs.

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

The Natural Protected Areas Law provides the legal framework for private sector and civil society participation in the management of SINANPE through: (i) private sector participation in the SINANPE Coordination Council; (ii) involvement of NGOs, private sector, community-based organizations and public sector stakeholders in the design and implementation of PA Master Plans and Management Plans; and (iii) establishment and strengthening of PAMCs as a tool to allow stakeholders participation in PA management.

The project endorses this framework by supporting PA management planning under a participatory approach that will be institutionalized in all processes. The project will support establishment and strengthening of PAMCs, to ensure the inclusion of relevant stakeholders, particularly indigenous leaders and women and civil society participation through public awareness campaigns. INRENA, responsible for PA management, will incorporate a social scientist-gender specialist to be responsible for implementation of the social strategy. PROFONANPE will implement the social strategy in buffer zones through an experienced NGO to lead and oversee the process and local NGOs in charge of its implementation.

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

The project monitoring and evaluation system will incorporate specific process and outcomes indicators to assess progress in implementation of the social strategy and monitor its impacts particularly those activities targeting indigenous peoples and women. PROFONANPE will prepare semester reports about social strategy implementation for each PA and annual reports on the basis of annual programs results.

### 6.6. Gender Impact

In compliance with current legislation to manage protected areas, beneficiary communities will be actively involved in all stages of the preparation and execution of sub projects financed under the project. NGOs will be promoted and provided with materials, training and technical support to reach and recruit target groups within the protected areas and their buffer zones. Local communities will be encouraged to form representative, gender-balanced community groups for the implementation of micro projects and other project activities.

By the end of the project, the protected areas will have incorporated gender analysis and gender concerns

into all aspects of policy, procedures, projects and monitoring systems. Both men and women will benefit from the environmental improvements brought about by the component. The project offers many opportunities for gender related activities. They include employment and training of female PA specialists, communication strategies addressed at the female part of the population, and subprojects in buffer zones especially addressing female concerns. The latter is particularly important as women are often in charge of collecting wood and non-timber forest products, and animal raising duties in the Sierra. To reduce pressure on the protected areas women will learn how to use resources more efficiently (less wood for the same quantity of energy), how to add more value to the non-timber resources collected and how, for instance, pastures can be improved to increase its loading coefficient.

The project will ensure that data collected for environmental and social assessments captures gender issues, and that both men and women are encouraged to participate in project activities. The design and timing of project activities will take into consideration the daily and overall yearly workload of women, so they have actual time to participate in project activities. The cultural diversity of each protected area will be taken into account when incorporating gender issues in the design project activities.

## 7. Safeguard Policies:

7.1 Are any of the following safeguard policies triggered by the project?

Policy	Triggered
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

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

The provisions to ensure compliance with safeguards are: (i) the design and updating of master and resource management plans in each PA will include safeguard aspects; (ii) the project monitoring and evaluation system will monitor compliance with safeguards; (iii) PROFONANPE will ensure environmental assessment of small-scale initiatives; and (iv) Bank supervision missions will contain environmental, biodiversity and social specialists to review safeguard compliance.

## F. Sustainability and Risks

### 1. Sustainability:

Technical sustainability will be assured by: (i) increasing awareness and participation in biodiversity conservation and its sustainable use by local populations, local organizations and institutions through training, the use of participatory approaches and tangible benefits; (ii) implementing the legal framework that encourages a participatory approach to conservation and management of protected areas; (iii) strengthening participation of local stakeholders in management decisions through PAMCs; (iv) funding demand-driven, small productive projects identified by local communities which are economically feasible and environmentally friendly; and (v) involving civil society and the private sector in the planning, management and implementation of the PA system as a whole.

Financial sustainability will be ensured partly through the Endowment Fund mechanism, which will enable PROFONANPE to double its contribution to the financing of the recurrent costs of SINANPE. Obviously, this amount is relatively small, but it helps to improve overall sustainability. The endowment fund put in place under the initial GEF grant has been able to ensure continued provision of funds to partially cover recurrent costs in 10-12 PAs. The additional contribution by GEF, Finland and PROFONANPE is therefore very welcome and may encourage the Government to increase the PROFONANPE endowment fund. The implementation of the SINANPE financing strategy will put additional funding mechanisms in place.

The private management services will also reduce the need for payment of recurrent costs as management service providers will contribute to recurrent costs financing. Some of the PAs could become self-sustainable. Sustainability of community initiatives will be ensured through an adequate project design and participation.

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

Apart from the risks below, there is an inherent institutional risk linked to the reform of the Peruvian public sector, the reorganization of the Ministry of Agriculture and consequently of INRENA. At this time (December 2002) the future role of INRENA is being discussed and it is possible that some institutional changes may take place with a temporary impact on the project. The channeling of funding through PROFONANPE is therefore an important risk mitigation measure.

Risk	Risk Rating	Risk Mitigation Measure
<b>From Outputs to Objective</b>		
PAMCs are conflictive, become politicized or corrupt and do not manage PAs and bufferzones in such a way that biodiversity is being conserved.	S	Training of PAMCs and civils society to include conflict resolution systems, communication skills, technical biodiversity matters and role of the management service providers and INRENA in PA management will remain predominant.
Special-interest groups disrupt the sustainable management system through lobbying, corruption and violence.	H	Internal transparency, public information and a communications strategy to increase overall external transparency.
Private non-profit sector is not capable of managing all aspects of conservation including maintaining good relationships with surrounding communities and PAMCs	M	Management contracts to include detailed clauses and monitoring indicators to foster conservation and to penalize non-conservation; accurate monitoring and evaluation systems in place and adequate INRENA oversight.

<p>There are no ready economic and technical solutions to replace non sustainable land use and extractive practices in buffer zones.</p> <p>Local communities are unwilling to adopt solutions to adopt biodiversity friendly technologies and initiatives are not socially viable.</p> <p>Other international and national financial sources do not make additional contributions.</p> <p>MIS and M&amp;E reports not used to improve sustainable management of SINANPE and INRENA does not have the counterpart funds to maintain the MIS system.</p> <p>Educational authorities not willing to participate in environmental awareness campaigns.</p> <p>Working relationship between INRENA and PROFONANPE deteriorates</p>	<p>M</p> <p>H</p> <p>M</p> <p>M</p> <p>M</p> <p>M</p>	<p>Management providers to participate with PAMCs in conflict resolution training.</p> <p>Project to finance adaptive research studies, study tours to other countries and adoption of successful models in similar ecosystems.</p> <p>Project to implement incentive system to promote adoption of conservation friendly technologies. Project to organize training, market information and demonstration of local ventures to attract community involvement. Eligibility criteria and appraisal process match local values &amp; viability.</p> <p>PROFONANPE will be strengthened in fund raising and the financing strategy will provide additional fund raising mechanisms.</p> <p>Stakeholders have easy &amp; permanent access to MIS and M&amp;E information Training to emphasize value of information in decision-making processes. Government - Bank dialogue on counterpart funding will continue.</p> <p>Training quality and project support attracts participation of educational authorities and organizations of parents.</p> <p>Framework Agreement between INRENA and PROFONANPE can be modified and adjusted to the needs. - Bank dialogue will remain important.</p>
<p><b>From Components to Outputs</b></p> <p>Present proper designs do not lead to good management by the non-profit private sector.</p> <p>Beneficiary organizations not capable of administering resources provided.</p> <p>Training institutions, public awareness agency and MIS design firms to be contracted by PROFONANPE do not</p>	<p>M</p> <p>S</p> <p>S</p>	<p>PA management plans will be updated. Management procedures and plan implementation will undergo monitoring by INRENA &amp; PROFONANPE. Contracts to include clauses to penalize non-proper management. Experience of trainers, advisors and Project team assures quality of designs.</p> <p>Specialized agency to be contracted will train beneficiaries in proper accounting procedures and ensure subproject and program designs viable in local conditions.</p> <p>Terms of reference of contractors to be very detailed. Selection processes to be based on quality rather than on price. PROFONANPE</p>

perform according to professional standards.		staff to monitor contractors performance very closely and contracts requiring detailed report and client surveys to ensure adequate performance.
Public service reorganization of INRENA disadvantages DGANP and makes it less effective.	M	Project funding through PROFONANPE guarantees some stability in the financing of PAs and the program.
Counterpart funding not available	S	Bank-Government dialogue will stress the need for counterpart funds
INRENA does not implement long-term financing strategy	N	PROFONANPE will substitute to some extent for INRENA weaknesses
<b>Overall Risk Rating</b>	M	

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

### 3. Possible Controversial Aspects:

The project will operate in the interface that exists between conservation of biodiversity and exploitation of natural resources. As such, the possibility always exists that, as a result of the enhanced conservation of biodiversity and more sustainable rates of natural resource use, some people will be economically negatively affected. The history of Peru's PA management has not been one without violence. This controversial aspect is addressed by the project by emphasizing a very strong participatory nature through the direct involvement of local populations in management decisions via the PAMCs. Local communities will pay very close attention to ensuring that the functioning of these committees enhances the level of ownership of the project and of PAs.

## G. Main Grant Conditions

### 1. Effectiveness Conditions

There are no effectiveness conditions

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

#### Disbursement Conditions

Proof of availability of funds from the Government of Finland in PROFONANPE's endowment fund is a condition of disbursement of the first tranche of the GEF endowment fund. Availability of an additional US\$500,000 from PROFONANPE (or other financing agency) is a condition of disbursement of the second tranche (US\$500,000) of the endowment fund.

The recruitment of the agency to prepare the Sustainable Economic Activities manual and implement the program as well as the approval by PROFONANPE of the manual is a condition of disbursement for expenditures related to those activities.

## H. Readiness for Implementation

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

The subproject operations manual

## I. Compliance with Bank Policies

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

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Pierre Werbrouck  
**Team Leader**

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John Redwood  
**Sector Director**

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Marcelo Giugale  
**Country Manager**

**Annex 1: Project Design Summary**  
**PERU: Participatory Management of Protected Areas**

<b>Hierarchy of Objectives</b>	<b>Key Performance Indicators</b>	<b>Data Collection Strategy</b>	<b>Critical Assumptions</b>
<p><b>Sector-related CAS Goal:</b> Supporting sound environmental management, reducing poverty and extreme poverty.</p>	<p><b>Sector Indicators:</b> Poverty headcount in rural areas and around Protected Areas.  Management effectiveness of SINANPE</p>	<p><b>Sector/ country reports:</b> INEE household surveys.  SINANPE MIS system, project monitoring and evaluation system and scorecards.</p>	<p><b>(from Goal to Bank Mission)</b> - macro-economic situation improves; - political stability is maintained in Peru; - socioeconomic conditions improve among rural populations.</p>
<p><b>GEF Operational Program:</b>  Support long term protection of globally important ecosystems.  To ensure biodiversity conservation by increasing the involvement of civil society institutions and the private sector in the planning, management and sustainable use of Peru's biodiversity resources.</p>	<p><b>Outcome / Impact Indicators:</b> Global ecosystem indicators.  Adoption of collaborative public/private sector management approaches to other PAs and biodiversity conservation/management sub-sectors.  Increased stakeholder participation in the management of at least 6 PAs</p>	<p>International reports and scientific studies  GEF program monitoring and evaluation system  National reports to CBD and Clearing House Mechanism (CHM)  INRENA and NGOs annual reports and scorecards  Minutes of meetings of PAMC and other related reports</p>	
<p><b>Global Objective:</b>  To improve the management and conservation of biodiversity in SINANPE.</p>	<p><b>Outcome / Impact Indicators:</b> Increased management effectiveness in project PAs  Reduced number of non-sustainable development activities in PA and buffer zones.  Improved degree of biodiversity conservation in project PAs  Increased stakeholder participation in project PAs</p>	<p><b>Project reports:</b> INRENA biodiversity monitoring and evaluation system. PAMC reports. Technical studies Parkguard reports/infraction records. Annual bio-physical monitoring and evaluation reports. INRENA biodiversity Monitoring and Evaluation reports  PAMCs minutes of meetings.</p>	<p><b>(from Objective to Goal)</b>  INRENA policies promoting collaborative public/private sector approaches remain consistent;  other related sectors adopt a similar approach to conservation of biodiversity  working relationship between INRENA and PROFONANPE remains good</p>

<p>To increase the financial sustainability of the financing of PA</p>	<p>Increased women's participation in the management of project PAs</p> <p>Participation of Indigenous Peoples in PA conservation programs</p> <p>Increased revenue in each protected area to finance recurrent costs</p>	<p>Gender-specific annual socioeconomic M&amp;E reports.</p> <p>Management and PAMC reports</p> <p>PA accounting system and SINANPE management information system</p>	
<p><b>Output from each Component:</b> Improved management of six PAs.</p> <p>Increased institutional capacity of public/private sectors to work collaboratively in the management of the national system of protected areas.</p>	<p><b>Output Indicators:</b></p> <ul style="list-style-type: none"> <li>- 2 new and 4 updated master plans by PY4.</li> <li>- 5 PAMCs operating by end of Project Year 1 (PY1)</li> <li>- 3 PAs administered by private non-profit organizations by December 2004.</li> <li>- 50% of PA management activities contracted out to private sector in three remaining PAs by December 2004.</li> <li>- 100 small-scale activities implemented in 5 PAs over 6 years.</li> <li>- 30 programs in 5 PAs implemented to reduce biodiversity threats.</li> </ul> <ul style="list-style-type: none"> <li>- INRENA-GDPA and PROFONANPE staff trained over life of project.</li> <li>- INRENA DGANP reduces average response time.</li> <li>- 25 local civil society receiving assistance from project.</li> <li>-PAMCs recommendations</li> </ul>	<p><b>Project reports:</b></p> <p>Project implementation reports</p> <p>Project Monitoring and Evaluation reports</p> <p>Bank Supervision reports Mid-term evaluation.</p> <p>All reports will be gender specific.</p> <p>Project implementation reports. INRENA internal reports Project Monitoring and Evaluation reports. PAMC reports Bank Supervision reports. Mid-term evaluation.</p>	<p><b>(from Outputs to Objective)</b></p> <ul style="list-style-type: none"> <li>- There are economic and technical solutions to replace non sustainable land use and extractive practices in buffer zones.</li> <li>- PAMCs remain coherent, make decisions on the basis of technical rather than political criteria, remain honest and transparent, and manage areas according to conservation and public business principles.</li> <li>-Special interest groups not able to disrupt sustainable management systems.</li> <li>- Local communities are willing to adopt solutions to adopt biodiversity friendly technologies and initiatives are not socially viable.</li> <li>- Private non-profit sector is capable of managing all aspects of conservation including maintaining good relationships with surrounding communities and PAMCs</li> </ul>

Increased public awareness of the importance of Peru's biodiversity and the role of protected areas in its conservation and management.	are being implemented -public awareness strategy implemented by PY3 and measured. - media campaigns implemented by end of PY4. - 20,000 school age children to receive educational materials.	Public awareness surveys. Project implementation reports Project M&E reports Bank Supervision reports Mid-term evaluation.	Educational authorities are willing to participate in environmental awareness campaigns.
Improved efficiency in the management of SINANPE.	- establishment of an MIS in PY3 - MIS operating by end of PY3.	Project implementation reports. Project M&E reports. Bank Supervision reports. Mid-term evaluation.	MIS reports will be effectively used  INRENA has counterpart funds to finance recurrent costs of MIS system.
Improved basis for financing the costs of biodiversity conservation.	- increase of the PROFONANPE endowment fund by US\$5 million in PY1 and US\$1 million by PY3. -capture of US\$3 million in additional funds over life of project. -additional funding mechanisms implemented	Project implementation reports. Project M&E reports. Bank Supervision reports. Mid-term evaluation.	Co-financing in place and other institutions make contributions.
Dissemination of project related experiences and lessons learned to other SINANPE PAs and regional projected area systems.	- creation of a project website - 20,000 hits/year over life of project - publication of experiences	Project implementation reports. Project M&E reports. Bank Supervision reports. Mid-term evaluation.	
<b>Project Components / Sub-components: Component 1.</b>	<b>Inputs: (budget for each component)</b>	<b>Project reports:</b>	<b>(from Components to Outputs)</b>
Participatory preparation of PA master and resource management plans	US\$18.23 million out of which GEF will finance US\$7.14 million and Netherlands US\$3.65 million	Project implementation reports. Financial Monitoring Reports Project M&E reports. Bank Supervision reports. Mid-term evaluation.	Proper designs lead to good management.  Beneficiary organizations capable of administering resources provided.
Master and resource plan implementation.			
Implementation of environmentally sustainable economic			

activities.			
<b>Component 2.</b>			
Training of INRENA / PROFONANPE staff	US\$5.74 million out of which GEF will finance US\$3.19 million and the Netherlands US\$0.59 million	Project implementation reports. Project M&E reports. Bank Supervision reports. Mid-term evaluation.	INRENA's institutional set-up remains favorable towards DGANP
Technical assistance to INRENA and PROFONANPE			
Capacity building among local environmental institutions /organizations in proximity to project-supported PAs.			Training institution selected performs according to professional standards and contract requirements.
Development and implementation of a biodiversity conservation-based public awareness program.			- Public awareness agency performs according to professional standards and program requirements.
Design and implementation of SINANPE Management Information System (MIS).			- MIS design agency performs according to professional standards.
<b>Component 3.</b>			
Increasing the PROFONANPE endowment fund	US\$8.86 million, out of which GEF will finance US\$4.50 million and the Netherlands US\$0.21 million.	Project implementation reports. Project M&E reports. Bank Supervision reports. Mid-term evaluation. GEF External evaluations.	- Counterpart funding available
Development and adoption of a long term SINANPE Financing Strategy			- INRENA agrees with and implements the strategy
Establishment and operation of a project unit			
Design and implementation of a monitoring and evaluation system and a dissemination strategy.			

## **Annex 2: Detailed Project Description**

### **PERU: Participatory Management of Protected Areas**

#### **By Component:**

#### **Project Component 1 - US\$18.23 million** **Participatory Protected Area Management**

The objective of the component is to involve civil society, private sector and local communities in the decision-making process and management of PAs, and share in the benefits derived from their sustainable use. There are three sub-components: (i) participatory planning in PAs; (ii) participatory master and resource management plan implementation; and (iii) environmentally sustainable economic activities in PAs and buffer zones.

Sub-component 1.1. Participatory Planning in PAs (US\$2.59 million; 7.9% of total project cost. GEF contribution: US\$1.15 million and Dutch contribution US\$0.2 million).

*Expected Outputs:* (i) at least two new PA master plans, four updated PA master plans and several resource, public use and other management plans prepared; (ii) gender sensitive and specific studies and data collection for management, monitoring and evaluation; and (iii) instruments to implement the master plans.

*Activities:* To produce the above outputs, the component would finance the following activities: (i) collection and/or completion of basic information such as biodiversity baseline studies, social and economic studies, gender approach studies, natural resources inventories, legal and land tenure studies, ecological indicators and other field assessments necessary to support master plan updating and subsequent monitoring and evaluation; (ii) gender balanced participatory design of master plan updates, resource management plans and public use programs; (iii) preparation of financing plans and financial strategies for each PA; and (iv) market research and other studies in support of sustainable economic initiatives.

Studies will involve local people and PAMCs who also need to be informed of all study results. Consequently the project will finance the presentation of study findings at events catering to local audiences.

This sub-component will also design and develop instruments facilitating PAMC and stakeholder involvement in master plan implementation. These instruments include: management services contracts, subcontracts for PA management services, community resource use plans, community PA protection and control systems and conflict resolution mechanisms.

The design of master plan updates and resource management plans will be contracted out to specialized agencies working collaboratively with PA managers, local institutions and people. If the German Cooperation would not finance an update of the SINANPE overall master plan by PY02, such update could be financed under this subcomponent.

Sub-component 1.2. Participatory Master and Management Plan Implementation (US\$8.15 million; 24.8% of total project cost. GEF contribution US\$4.48 million and Dutch contribution US\$0.45 million).

*Expected Outputs:* (i) three PAs will be managed directly by nonprofit private organizations through contracts with INRENA, guided by approved master plans and under direct PAMC oversight; (ii) at least 50% of all management activities identified in the management and master plans in the remaining PAs would be provided by civil society, private sector or communities; (iii) increased management and

protection enforcement capacity; (iv) establishment of basic infrastructure, equipment and staff requirements to ensure the conservation of biodiversity of international importance; and (v) PAMCs functioning in each participating PA.

*Activities:* The sub-component will finance the following activities: (i) the contracting out of a range of PA management responsibilities and services to the nonprofit private sector organizations, private sector and communities; (ii) physical demarcation of PA boundaries (where necessary); (iii) management and services contracts with the private sector; (iv) salaries for park rangers and administrative personnel; (v) vehicles and equipment; (vi) small-scale infrastructure; and (vii) some incremental PAMC operational costs.

Specifically, three PAs will be managed through management services contracts with the nonprofit private sector. These management service providers will be responsible for implementing master and resource management plans, administering the PA financial resources, promoting local community participation in PA management, preparing annual work plans, and providing information for monitoring and evaluation purposes. On behalf of INRENA, they will subcontract and supervise private sector, NGOs and communities carrying out smaller contracts including: construction and maintenance of PA infrastructure (visitor centers, walking paths, etc.); studies; biodiversity research; wildlife management; protection against invasions by farmers and loggers; and activities with local communities (including initiatives of a social, anthropological and educational nature to foster local conservation). Where possible, the management service providers will implement the local components of the sustainable economic activities program (subcomponent 1.3) and foster tourist activities where appropriate and environmentally acceptable. INRENA's authority to sanction trespassing will not be delegated to the management service providers.

Criteria for the selection of management service providers will include: (i) demonstrated experience and capacity in PA management; (ii) technical capacity of the management team; (iii) strength and relevance of partnership arrangements with local institutions in proximity to the PA; and (iv) financial commitment and the proposed future financial sustainability strategy for the PA. In the stakeholder analysis the following non-profit organizations were identified as likely candidate institutions expected to submit proposals for management contracts: *Instituto de Montanha*, *Instituto Kuntur de Investigación y Desarrollo Andino*, CARE, DESCO and *Asociación para la Conservación de la Naturales*, *Conservación Internacional*, *ProNaturaleza*, WWF, *Centro EORI*, *THREES* and *ACETTUM*. In addition, there are a number of smaller more activity/issue specific NGOs which have been identified in each of the project-supported PAs that are likely to team up with the previously identified institutions.

Salaries for park rangers are salaries for rangers and INRENA staff in PAs that are not or not yet managed by a management service provider.

The PAMC incremental operational costs refer to the costs of the organization of meetings to inform and discuss optional activities/projects that will go as part of the master plans.

Sub-component 1.3. Sustainable Economic Activities (US\$7.49 million; 22.8% of total project cost; GEF contribution US\$1.51 million and Dutch contribution US\$3.0 million).

*Expected Outputs:* (i) 30 programs/projects in PAs and the buffer zones oriented to stop/revert acute pressure on or threats to PAs; (ii) 100 small-scale demonstrative economic/productive initiatives for the sustainable use of biodiversity.

*Activities:* This subcomponent will provide financial and technical assistance to: (i) communities, women organizations, rural and indigenous organizations to formulate and implement sustainable conservation programs and small sustainable economic subprojects in PAs and buffer zones; (ii) economic sectors with

activities representing a threat to the PAs to mitigate damages or reconvert activities toward alternative non-degradable environmental activities; and (iii) sustainable biodiversity initiatives and other subprojects presented by poor communities and families under the social strategy (Annex 13).

Conservation implies not only the right PA management but requires suitable solutions to mitigate pressures or threats to the areas, based on a concerted process--perhaps a conflict resolution process--with the participation of the principal stakeholders in the PAs and buffer zones. This implies giving a relevant role to the Management Committees (PAMCs) as well as conciliation opportunities and promoting development programs that could generate sustainable economic alternatives substituting degrading or contaminating economic activities. Under this subcomponent, the gender aspects will play an important part in the design of the subprojects, considering the economic role of women in the households.

An illustrative list of activities that could be financed under this component is: (i) management of grazing land programs, animal health and dairy production; promotion of sustainable agroecological production; forest management; marketing and processing of agricultural products; (ii) introduction of appropriate environmentally-adapted technologies for mining; reconvert illegal loggers; technical assistance to small shrimp industries; wildlife management for tourism development; and (iii) use of medicinal, ornamentals, nourishing species; apiculture; wood and handicrafts; tourism services; brazil nut management; etc. PROFONANPE will coordinate the funding of these subprojects with regional and local governments.

PROFONANPE will contract a specialized agency to develop the subproject operating manual and implement the program in cooperation with the PA management service providers and smaller NGOs active in buffer zones. Under this subcomponent the specialized agency will transfer funds to beneficiaries (communities, women organizations, farmer and business associations) on a grant basis to carry out the subprojects. The eligibility criteria of beneficiary groups, matching grant requirements and environmental and social safeguards will be established in the subproject operating manual. GEF financed subprojects have a 50% co-financing requirement. **The recruitment of the specialized agency and approval by PROFONANPE of the Sustainable Economic Activities Operations Manual will be conditions of disbursement for expenditures related to those activities.**

## **Project Component 2 - US\$5.74 million**

### **Institutional Development**

The main objective of this component is to consolidate SINANPE by: (i) strengthening INRENA, PROFONANPE, PAMCs, civil society and private sector organizations to collaborate in SINANPE's management; (ii) increasing public awareness of Peru's biodiversity and the role of PAs; and (iii) developing and implementing a SINANPE management information system (MIS).

The component has four sub-components: (i) training and technical assistance to INRENA and PROFONANPE; (ii) capacity building of PAMCs and local civil society in the proximity of PAs; (iii) developing and implementing a biodiversity conservation-based public awareness program; and (iv) designing and implementing SINANPE's MIS.

Sub-component 2.1. Training and Technical Assistance for INRENA and PROFONANPE (US\$2.47 million; 7.5% of total project cost; GEF contribution US\$1.74 million and Dutch contribution US\$0.26 million).

*Expected Outputs:* (i) enhanced management performance of INRENA and PROFONANPE; (ii) INRENA strengthened in strategic planning, policy making, monitoring of management services contracts and activities requiring participation by local communities, civil society and the private sector; and (iii) INRENA and PA staff skilled in biodiversity management, participatory gender sensitive processes and cultural approaches, environmental impact assessment, and conflict resolution.

*Activities:* Training will include: seminars, study tours, on-the-job training in foreign countries, staff training in local training institutions and through non-degree university courses in management, rural development, resource conservation, communication, management information systems, and monitoring and evaluation. Field staff will be trained in specific ranger abilities and knowledge, fine-tuned to local circumstances.

Technical assistance to INRENA and PROFONANPE will include of short- and long-term consultancies to reduce management workload in the areas of technical and financial management, monitoring of PAs and activities in the buffer zones, social and gender analysis, consolidation of PAMCs, environment, legal services, procurement and conservation.

Sub-component 2.2. Capacity Building of PMACs and Local Civil Society Institutions (US\$0.99 million; 3% out of total project cost; GEF contribution US\$0.64 million and Dutch contribution US\$0.16 million).

*Expected Outputs:* (i) At least six PAMCs fully participating in PA management and monitoring, conflict resolution, and planning and monitoring of buffer zones sustainable activities in a gender sensitive way; and (ii) 25 local civil society organizations (NGOs and grassroots organizations) capable of formulating and carrying out conservation programs and small-scale sustainable economic activities in the buffer zones.

*Activities:* This subcomponent will finance training, technical assistance and equipment for capacity building of PAMCs. Training will include study tours, seminars and courses on conservation management and environment, leadership courses, diagnosis of threats to PAs, conflict resolution, PA control mechanisms and management procedures. It will also finance courses in small project development, implementation and management, PA rules and regulations for local civil society organizations in the buffer zones. All training and technical assistance will be implemented from a gender perspective and promote the participation of women in PAMCs.

Through this subcomponent, the project will enable PAMCs to fully participate in PA management and in rural development of buffer zones. The participative nature of this Project requires PAMCs to play the leading role as a hinge between the conservation of PAs and the development of buffer zones; a place for meeting and conciliating different economic and social interests; and as a local institution that exercises the social control of INRENA or INRENA-designated representative for the management of PAs.

PROFONANPE will contract a training institution to design and implement the above program.

Sub-component 2.3 Public Awareness Program (US\$1.52 million; 4.6% of total project cost; GEF contribution US\$0.31 million and Dutch contribution US\$0.17 million).

*Expected Outputs:* An environmental behavioral change and increased awareness at national and local level of the importance of conservation and PAs.

*Activities:* (i) design and implementation of an awareness program in the proximity of the PAs, applying a systematic approach including awareness assessment, design of awareness programs,

pretesting and fine-tuning, implementation, and monitoring and evaluation; (ii) media campaigns at national level and in the proximity of the project PAs; (iii) design and maintenance of PA internet home pages; and (iv) production of PA related education materials for 20,000 school-age children in the areas in proximity of project PAs.

The effectiveness of this program will be measured through changes in environmental behavior as opposed to a change only in awareness or knowledge. Target groups (including decision makers at the national level) and desired results will be defined. Various tools will be considered, including: (i) an environmental media campaign targeting selected social segments; (ii) the use of the Internet, and (iii) facilitate stakeholder involvement at the local level through consultations and consensus-building to enhance awareness of the importance of conservation of biodiversity. It will also prepare educational materials aimed at schoolchildren (e.g., teaching aids and school kits would be produced, teacher training programs instituted and youth events organized). Printed and audiovisual materials would be distributed through local media. Cross-site visits of key stakeholders to view successfully-managed conservation activities would also be supported under this sub-component.

The project will also schedule PA field visits of critical decision-makers including members of Congress, the Ministries of Agriculture and Economy, and INRENA.

PROFONANPE will recruit a firm to design and implement the awareness program.

Sub-component 2.4 SINANPE-based MIS Sub-component (US\$0.76 million; 2.3% of total project cost; GEF contribution US\$0.50 million).

*Expected Outputs:* The projected output of this activity is an enhanced decision-making process through better and updated information, providing feedback to national administrators as well as to stakeholders and civil society organizations.

*Activities:* (i) design and implementation of an MIS system; (ii) standardization of information data bases; (iii) dissemination of processed information, including GIS data produced by INRENA or national/ local organizations; and (iv) resource assessments and socioeconomic studies.

The lack of a centralized management information system (MIS) has impeded SINANPE's effectiveness and poses a risk to its long-term viability. The project would support the design and establishment of a SINANPE-based MIS in INRENA. The MIS would be instrumental to arrive at a more informed management decision-making for planning and budget allocation. The MIS would complement INRENA's monitoring and evaluation system and provide technical data (e.g., status of biodiversity conservation, the results of natural resource inventories, indicators and threat alert information) to the public at large.

The MIS design will include an assessment of training needs and training programs at local levels, rules for net access and participation, and the system's architectural design (see project files under MIS guidelines). Both public and non-governmental data collection entities are expected to be major information sources. The system would support the sharing of online information with all

SINANPE stakeholders.

Although the project will finance the establishment and development of an MIS system catering for the whole of SINANPE, it will initially only finance the data input and maintenance of the project supported PAs. INRENA will contract the MIS design and implementation engineering firm.

### **Project Component 3 - US\$ 8.86 million**

#### **Protected Area Financing, Project Administration, Monitoring and Evaluation, and Information Dissemination.**

This component includes four subcomponents: (i) an increase of the PROFONANPE endowment fund; (ii) the preparation and adoption of a long-term financing strategy for SINANPE; (iii) project implementation and monitoring and evaluation; and (iv) design and implementation of an information dissemination strategy.

Sub-component 3.1. Increase of the PROFONANPE Endowment Fund (US\$6.0 million; 18.2% of project costs; GEF contribution US\$3.0 million; Finland US\$2.5 million).

*Expected Outputs:* (i) a well functioning increased PROFONANPE endowment fund; and (ii) increased private sector contributions in at least two PAs.

*Activities:* A replenishment of the endowment fund and additional fund-raising for individual PAs and SINANPE in general.

The PROFONANPE endowment fund will be increased from US\$5.4 million to at least US\$13.4 million through three contributions: GEF (US\$3 million), the Government of Finland (US\$2.5 million) and PROFONANPE (US\$0.5 million). Bringing the endowment fund up to at least \$13.4 million will provide a return of about \$550,000 per year for PROFONANPE's financing of the PA recurrent costs. The additional endowment will be placed through PROFONANPE's asset manager following an investment strategy described in Annex 16. The Government of Finland has already placed its US\$2.5 million into the endowment fund. At project effectiveness, GEF will disburse the US\$2.5 million into the endowment fund account. The remaining US\$500,000 will be disbursed when PROFONANPE has contributed its own additional US\$500,000 that can not come from the investment proceeds of the GEF contribution to the endowment fund. The returns of the endowment fund brought in by Finland will be used exclusively for the recurrent costs of Macchu Picchu. The returns on the endowment fund financed by GEF will not be earmarked. The Bank will supervise the performance of the PROFONANPE portfolio twice a year.

Moreover, PROFONANPE will undertake additional fund-raising activities in particular with the private sector by recruiting a fund raising agent to research where additional funds are available and to attract those funds for PA financing. This additional fund raising activity should not be in conflict with the fund raising activities of other Peruvian NGO's.

Sub-component 3.2. Financing Strategy for SINANPE (US\$0.3 million; 0.9% of project costs (GEF contribution US\$0.3 million)

*Expected Outputs:* A long-term financing strategy that will lead to financial sustainability of SINANPE .

*Activities:* SINANPE needs to adopt a more strategic approach to close its existing funding gap and

eventually achieve financial sustainability. Key elements in the preparation of the financing strategy will include: (i) identification of appropriate under or non-utilized financing mechanisms to diversify existing funding sources, (ii) pilot testing of selected financing mechanisms in the field, (iii) PA specific review of management and operational needs and associated costs, (iv) evaluation of existing distribution and funding levels among PAs, and (v) the implementation of the strategy itself.

PROFONANPE will contract a consulting firm to elaborate and implement the above strategy.

Sub-component 3.3. Project Implementation and Monitoring and Evaluation (US\$2.45 million; 7.1% of total project cost; GEF contribution US\$1.10 million and Dutch contribution US\$0.20 million).

*Expected Outputs:* The main output will be a project implemented in an efficient and timely manner and a monitoring and evaluation system applied to this project. Specific outputs include: (i) an improved institutional capacity of PROFONANPE to fulfill its role; and (ii) timely monitoring and evaluation reports conforming GEF, World Bank and public monitoring and reporting requirements.

*Activities:* For the project implementation (i) employment of additional staff for PROFONANPE (a project coordinator, a procurement specialist, an environmental specialist and a financial administrator), purchasing of equipment (including one terrain vehicle) and operating costs. For project monitoring and evaluation: (i) updating of the draft design of the M&E program; and (ii) implementation of the M&E system.

One of the principal recommendations stemming from the mid-term evaluation of PROFONANPE I was to design and implement a monitoring and evaluation program. As a response, PROFONANPE formed a working group and hired a consultant to prepare the system to guide future monitoring of PROFONANPE financed activities. A description of the system is available in the project files and will be applied to this project. The estimated implementation cost of the system over the project life is about \$273,000.

The above monitoring and evaluation system should not be confused with the biodiversity and PA management monitoring and evaluation system that is being developed under the Indigenous Management of Protected Areas in the Peruvian Amazon Project (PIMA-GEF). This biodiversity and PA management monitoring and evaluation system will be field tested and implemented first in the PAs covered by the PIMA-GEF project. Once it becomes operational and applicable, the system will then be implemented by INRENA in the PAs covered under this project. Therefore, in each PA covered under this project biodiversity and PA management baseline studies will be carried out in the first project year.

Sub-component 3.4. Information Dissemination (US\$0.12 million; 0.3% of total project cost; GEF contribution US\$0.1 million and Dutch contribution US\$0.01 million).

*Expected Outputs:* The main expected outputs are: (i) enhanced relationships with national, regional and local civil society and private sector through dissemination of results and lessons learned using reports and workshops; and (ii) adoption of relevant experiences from this project by other PAs in Peru's SINANPE and other national systems of protected areas.

*Activities:* This sub-component will support the dissemination of the results of project-supported activities to national, regional, and global stakeholders and the media through written reports, workshops and available information systems including the establishment of a project web page. It will also cover the costs of identifying and disseminating best practices to INRENA staff, PAMCs and stakeholders.

**Annex 3: Estimated Project Costs**  
**PERU: Participatory Management of Protected Areas**

<b>Project Cost By Component</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
1. Participatory Protected Area Management	14.16	4.07	18.23
2. Institutional Development	5.32	0.43	5.75
3. PA Financing, Project Administration, Monitoring and Evaluation and Information Dissemination - including endowment fund	2.86	6.00	8.86
<b>Total Baseline Cost</b>	22.34	10.50	32.84
<b>Physical Contingencies</b>	0.00	0.00	0.00
<b>Price Contingencies</b>	0.00	0.00	0.00
<b>Total Project Costs<sup>1</sup></b>	22.34	10.50	32.84
Interest during construction		0.00	0.00
<b>Total Financing Required</b>	22.34	10.50	32.84

<b>Project Cost By Category</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
<b>Civil Works</b>	0.67	0.00	0.67
<b>Goods and Equipment</b>	1.00	0.41	1.41
<b>Consulting Services and Audits</b>	2.52	0.50	3.02
<b>Training services</b>	2.31	1.90	4.21
<b>Subgrants for Sustainable Economic Activities</b>	6.49	0.00	6.49
<b>Contribution to Endowment Fund</b>	0.00	6.00	6.00
<b>PA Management Services Contracts</b>	4.26	1.69	5.95
<b>Incremental Operating Costs</b>	5.09	0.00	5.09
<b>Total Project Costs<sup>1</sup></b>	22.34	10.50	32.84
Interest during construction		0.00	0.00
<b>Total Financing Required</b>	22.34	10.50	32.84

Peru  
Participatory Management of Protected Areas  
Component Costs by Financiers

	INRENA		PRO-FONANPE		GEF		Dutch Gov.		German Gov.		Finnish Gov.		Farmers		NGOs		Total	
	US\$m	%	US\$m	%	US\$m	%	US\$m	%	US\$m	%	US\$m	%	US\$m	%	US\$m	%	US\$m	%
<b>A. Participatory Protected Area Management</b>																		
1. Preparation of Master and Management Plans	-	-	-	-	1.15	44	0.20	8	1.24	48	-	-	-	-	-	-	2.59	7.9
2. Participatory Plan Implementation	1.62	20	-	-	4.48	55	0.45	5	0.60	7	-	-	-	-	1.00	12	8.15	24.8
3. Sustainable Economic Activities in PAs and Buffer Zones	-	-	-	-	1.50	20	3.00	40	2.47	33	-	-	0.52	7	-	-	7.49	22.8
<b>Subtotal Participative Protected Area Management</b>	1.62	9	-	-	7.14	39	3.65	20	4.31	24	-	-	0.52	3	1.00	5	18.23	55.5
<b>B. Institutional Development</b>																		
1. Training and Technical Assistance	-	-	-	-	1.74	70	0.26	11	0.47	19	-	-	-	-	-	-	2.47	7.5
2. Capacity Building of Local Civil Society	-	-	-	-	0.64	65	0.16	16	0.19	19	-	-	-	-	-	-	0.99	3.0
3. Biodiversity Conservation Public Awareness Program	-	-	-	-	0.31	21	0.17	11	1.04	68	-	-	-	-	-	-	1.52	4.6
4. SINANPE Management Information System	0.26	34	-	-	0.50	66	-	0	-	0	-	-	-	-	-	-	0.76	2.3
<b>Subtotal Institutional Development</b>	0.26	4	-	-	3.19	56	0.59	10	1.71	30	-	-	-	-	-	-	5.74	17.5
<b>C. Project Administration, M&amp;E, and Information Dissemination</b>																		
1. Contributions to Endowment Fund	-	-	0.50	8	3.00	50	-	-	-	-	2.50	42	-	-	-	-	6.00	18.3
2. Financing Strategy	-	-	-	-	0.30	100	-	-	-	-	-	-	-	-	-	-	0.30	0.9
3. Project Implementation and M&E	-	-	0.58	24	1.10	45	0.20	8	0.57	23	-	-	-	-	-	-	2.45	7.4
4. Information Dissemination	-	-	-	-	0.10	90	0.01	10	-	-	-	-	-	-	-	-	0.12	0.4
<b>Subtotal Project Administration, M&amp;E, and Info. Dissemination</b>	-	-	1.08	12	4.50	51	0.21	2	0.57	6	2.50	28	-	-	-	-	8.86	27.0
<b>Total Project Costs</b>	1.88	6	1.08	3.3	14.83	45	4.45	14	6.58	20	2.50	8	0.52	2	1.00	3	32.84	100

<sup>1</sup> Identifiable taxes and duties are 2.1 (US\$m) and the total project cost, net of taxes, is 30.74 (US\$m). Therefore, the project cost sharing ratio is 48.24 % of total project cost net of taxes.

## **Annex 4 Incremental Cost Analysis**

### **PERU: Participatory Management of Protected Areas**

#### **Overview**

Costs were estimated over the six-years of the project. Only ongoing protection-relevant activities in PAs and their respective buffer zones constitute the base line. While some of the support for these projects/activities may end prior to the completion of the proposed project, it was assumed that they would be offset by new activities, as a number of national and international NGOs are developing new proposals for several of the proposed project sites.

The total project costs of the GEF Alternative represent the sum of the baseline and incremental costs associated with proposed additional actions required to secure biodiversity conservation objectives of global importance within the five PAs, the prospective PA and central interventions. The scope of the analysis captures existing and proposed interventions broken down into the proposed Alternative's three components: (i) participatory protected area management, (ii) institutional development, and (iii) PA financing, project administration, M&E and information dissemination.

#### **Baseline Scenario**

The GOP, through INRENA with assistance from PROFONANPE and a number of donors, has made great strides in expanding and consolidating Peru's SINANPE. Nevertheless, in light of the system's size and diversity, existing and growing threats, and the current financial crisis in the public sector, the long-term conservation of the ecosystems of global importance proposed in the GEF Alternative does not appear credible under the baseline scenario. At present, there is little management effort in the PAs created to protect large portions of the country's Amazon rainforest. While a number of management efforts are currently being supported in PAs protecting portions of the Central Andean and Wet Puna, the magnitude and range of threats far exceed existing institutional capacity. Peru's last remaining representative sample of mangroves receives virtually no support from any quarter and remains at risk. Moreover, all proposed PAs under the GEF Alternative are increasingly subject to growing threats associated with non-sustainable land use and other extractive pressures in their adjacent buffer zones. Under the baseline scenario, these practices are likely to continue and expand into the PA core areas. The failure up to now to support the newly-called for PAMCs also signifies that little progress will be made in these same PAs addressing the aforementioned threats by incorporating local stakeholders into PA management. Despite GOP's shift in policy and good intentions to establish a collaborative relationship with civil society and the private sector in managing PAs, no other project is presently dedicated to supporting this much needed and laudable objective. This will likely remain an unimplemented policy under the baseline scenario. Finally, the lack of support under the baseline scenario for addressing the constraints associated with information management will signify that INRENA's effectiveness in managing and responding to the needs of SINANPE will remain relatively slow and inefficient.

#### **Baseline Cost Analysis**

All proposed project PAs, except the prospective PA of Morona-Pastaza, receive a variable level of technical and/or financial assistance at present. Sources of this assistance vary: GOP, bi- and multilateral organizations whose funds are typically channeled through national NGOs and PROFONANPE and through international NGOs. The GOP's contributions to baseline costs are mainly to cover central and field staff salaries, central and field infrastructure maintenance and small efforts for awareness activities in the PAs' zones of influence.

## **Project Component 1: Participatory Protected Area Management. Baseline Cost US\$3.5 million**

An estimated 80% of the baseline PA management costs are financed by various international agencies while the remaining 20% are paid by INRENA.

### Baseline Protected Areas

Approximately 56% of baseline costs under this component represent ongoing activities in the PA cluster *Bahuaja-Sonene and Tambopata Candamo*. This comes primarily in the form of support from the Dutch Government and Conservation International (CI) which is financing studies and research in support of improved management; and from INRENA for staff salaries and small operational activities. The USAID BIOFOR project is also providing support for a series of small, environmentally-friendly economic activities in the PA buffer zone. While this support may end before project implementation, it was used for baseline calculations since it is under consideration for an extension.

An additional 25% has been calculated from assistance derived from Spanish Technical Cooperation (AECI) for *Salinas – Aguada Blanca*. Through the Aracauria-Colca project, Spain is supporting a wide range of activities including the preparation of a PA Master Plan, support for community-based management of vicuña populations, domestic cameloid management, and management of protected species. Support will continue until the end of 2003. PROFONANPE is also providing support to this PA through the administration of funds provided by German Technical Cooperation to INRENA. These pay for salaries and small-scale infrastructure through 2003.

*PN Huascarán* represents approximately 16% of baseline support to component 1, consisting primarily of salaries and small-scale infrastructure from the aforementioned German Technical Cooperation grants to INRENA administered by PROFONANPE. The USAID-supported BIOFOR project is also financing some minor small-scale, environmentally-friendly economic activities in the buffer zones.

Finally, the *Manglares de Tumbes SN*, while a recipient of significant support in previous years, is currently only receiving funding from INRENA primarily for the financing of staff salaries and small operational activities.

## **Project Component 2: Institutional Development . Baseline Cost US\$4.1 million.**

Under this component, only 7% of estimated baseline financing comes from INRENA while the remaining 93% comes from donors and NGOs.

### Baseline-supported Protected Areas

*Bahuaja-Sonene and Tambopata Candamo* cluster receives an estimated 60% of total baseline support calculated under component 2. It comes mainly from Conservation International-supported activities designed to promote, train, and build capacity in local communities, civil society and the private sector located in the buffer zone. CI will maintain this level of support through the life of this project. Additional support comes from the Netherlands Technical Cooperation through ProNaturaleza to assist local communities in the development of practices for sustainable use of natural resources located in the PA buffer area.

An additional 25% of baseline costs under component 2 comes from the *Salinas – Aguada Blanca NR* through the aforementioned Aracauria-Colca project financed by the Spanish Technical Cooperation (AECI). This consists of funding for activities designed to strengthen local civil society's capacity to participate in the management of PA and buffer zone resources and for the development of a strong

communications and awareness program. Support will continue until the end of 2001 but an extension of at least two more years is under consideration.

The *Huascarán NP* accounts for 11% of baseline costs under component 2. The German Technical Cooperation through PROFONANPE, with an estimated completion date in 2003, is financing activities in support of increased communication and public awareness among local communities for purposes of biodiversity conservation. In addition, this PA is receiving support from the Mountain Institute which is financing local capacity strengthening in resources management in the Park's buffer zone. INRENA's support to component 2 goes mainly to this PA which is considered a high priority PA in the national system.

ProNaturaleza is developing a proposal to obtain support from the Spanish Agency AECI to finance communications and public awareness activities for 2001-2002 for Manglares de Tumbes NS. This probable support is estimated at 4% of total baseline support to component 2.

#### Baseline Support for INRENA's Central Office

Under this component, there is some relevant financing for the strengthening of SINANPE'S central administration. It mainly covers provision of advisors, support for operational costs (German Technical Cooperation: 2-3 projects) and support for the design, equipment and staff of SINANPE's central Monitoring & Evaluation system (GEF Indigenous Management of Protected Areas in the Peruvian Amazon Project and USAID through BIOFOR project).

#### **Project Component 3: Project Financing, Project Administration, Monitoring and Evaluation, and Information Dissemination. Baseline Cost: US\$50,400**

Baseline cost is the cost of PROFONANPE's Monitoring and Evaluation system.

#### **Global Environmental Objectives**

The goal of GEF assistance would be to support long-term protection of globally important ecosystems by increasing the involvement of civil society institutions and the private sector in the planning, management and sustainable use of protected areas and resources within the Peruvian System of Natural Protected Areas (SINANPE).

#### **GEF Alternative**

By financing the incremental costs of the activities proposed under the GEF Alternative, INRENA would be able to address a number of major constraints affecting its capacity to mitigate threats to biodiversity of global importance. These would be through: (i) increasing the role of civil society and the private sector in the design and implementation of PA plans; (ii) increasing financial resources to manage the selected protected areas in a sustainable manner; (iii) increasing environmental awareness for biodiversity issues; and (iv) developing an adequate information management system.

The design of the proposed Alternative reflects a fundamental strategic choice leading to an increased role for the private sector and civil society in the management of the country's PAs. The GOP can not cover all costs associated with the management and conservation of biodiversity of global importance. Instead, through the establishment of strategic partnerships, it will call upon the skills and resources of civil society organizations and the private commercial sector. The project will therefore use a significant amount of resources to finance the design and implementation of PA management plans based on a substantially

increased role for the private sector and civil society, facilitated through capacity building of civil society organizations, INRENA and PROFONANPE.

Without the GEF Alternative, INRENA will be able to maintain only a minimal presence in the two large PAs created to protect portions of the Peruvian Puna.

### Incremental Costs

The matrix below summarizes the baseline and incremental expenditures during the six years project period. The total requested GEF funding amounts to US\$11.8 million plus an amount of US\$3 million for the endowment fund. Out of this total, US\$18.23 million would strengthen the Participatory Protected Areas Management in the selected PAs; US\$4.65 million would go to institutional development of organizations involved in the project, US\$6 million would go to the endowment fund and US\$1.89 million would allow proper project implementation in PROFONANPE. Morona Pastaza would be fully financed by German parallel funding while the other five PAs will receive funding from the Netherlands in addition to what is provided by GEF.

### Incremental Cost Matrix for the Participatory Management of Protected Areas Project

Component	Cost Category	US\$ Mill.	Domestic Benefit	Global Benefit
Participatory Protected Area Management	Baseline	3.50	Minimum staff assured; basic operations underway; some training; some scientific work in very few of the selected PAs. Basic management, monitoring and evaluation info flowing from some PAs of the system. Few experiences in competitive funding underway in very few of the selected PAs. PAMCs formed mainly with Government institutions.	Partial conservation of globally significant biodiversity.
	GEF Alternative	21.73	Enhanced operations in selected PAs; number of park rangers trained; better qualified staff; infrastructure for control and visitors improved. Baseline and other info is flowing regularly. Important number of civil society organizations are concession holders or are contracted for activities in management of PAs, including visitor guides, and are developing experiences in use of natural resources for economic revenues. Improved experiences of competitive funding spreads over buffer areas of selected PAs. PAMCs in selected PAs have improved local stakeholder participation.	About 25% of SINANPE's area is under improved conservation of globally significant biodiversity. The base support to national authorities has been widened. Generation of revenues supports the reduction of poverty and extreme poverty.
	Increment	18.23		
Institutional Development	Baseline	4.09	Basic management info flowing from some PAs to the system. Good participatory processes in surroundings of a few PAs. Levels of national decision-makers receive info of doubtless quality; quantity of the same is scarce. Info for media is mainly available as info for tourists, shadowing other values such as economic and ecological ones. Some important efforts concentrated in a few PAs with private enterprises facing more access difficulties than other civil society organizations.	
	GEF Alternative	9.83	Improved info flowing from selected PAs and from some other SINANPE PAs; other organizations networked to improve quality and quantity of info for management. System has been generalized for entire SINANPE. Increased numbers of PAs are supporting local media programs; national levels of decision-making are receiving updated info from SINANPE with emphasis on info from selected PAs. Schools	MIS grows as a model for PAs' central administrations. It is part of global systems such as the WCMC. Increased public environmental awareness is improving

			and youth organizations around selected PAs are using the info and facilities of PAs for enhanced environmental educational purposes. Civil society organizations and private sector are capable of funding and conducting the responsible use of natural resources, they are also key elements in spreading the values and benefits of biodiversity protection	environmental conditions in Peru. Much greater public awareness has been fostered among decision-makers.
	Increment	5.74		
Endowment Fund	Baseline	5.4	Annual returns of invested endowment fund is about US\$220,000. Which allows PROFONANPE partial financing of the recurrent costs in some 11 PA and reserves.	Preservation of world biodiversity in the Amazon, Sierra and Coastal areas.
	GEF Alternative	11.4	Annual returns of invested endowment fund is about US\$550,000. Which allows PROFONANPE partial financing of the recurrent costs in twice the number of PA and reserves	Additional preservation of world biodiversity in the Amazon, Sierra and Coastal areas
	Increment	6.0		
Project financing, project administration, M&E and info dissemination	Baseline	0.05		
	GEF Alternative	2.50	PROFONANPE is carrying out proper project implementation; including proper management of endowment fund in non-emerging markets and proper procurement processes. In addition, PROFONANPE's relationships with national, regional and local civil society and private sector is enhanced.	
	Increment	2.45		
Total Baseline	13.33			
GEF Alternative	46.17			
Increment	32.84			
Netherlands Cofinancing	4.45			
KfW Cofinancing	6.58			
Finland & other endowment	3.00			
Government and other local sources	3.98			
GEF Funding	14.83			

**Annex 5: Financial Summary**  
**PERU: Participatory Management of Protected Areas**  
**Years Ending**

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Total Financing Required</b>							
<b>Project Costs</b>							
<b>Investment Costs</b>	7.0	3.4	4.6	4.2	3.8	1.1	0.0
<b>Recurrent Costs</b>	0.2	0.7	0.7	0.8	0.8	2.2	3.3
<b>Total Project Costs</b>	7.2	4.1	5.3	5.0	4.6	3.3	3.3
<b>Interest during construction</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Financing</b>	7.2	4.1	5.3	5.0	4.6	3.3	3.3
<b>Financing</b>							
<b>IBRD/IDA</b>	3.8	1.8	2.5	2.5	2.2	1.7	0.2
<b>Government</b>	0.3	0.3	0.3	0.3	0.3	0.3	0.0
<b>Central</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Provincial</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Co-financiers</b>	0.4	0.8	0.8	1.0	0.9	0.1	0.0
<b>Netherlands</b>							
<b>User Fees/Beneficiaries</b>	0.0	0.1	0.1	0.1	0.1	0.1	0.1
<b>Other, German paralell financing</b>	0.0	0.7	0.7	0.7	0.7	0.7	3.0
<b>Other, Finland</b>	2.5	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other, NGOs</b>		0.2	0.2	0.2	0.2	0.2	0.0
<b>Other, PROFONANPE and Beneficiaries</b>	0.2	0.2	0.7	0.2	0.2	0.2	0.0
<b>Contingencies</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Financing</b>	7.2	4.1	5.3	5.0	4.6	3.3	3.3

**Main assumptions:**

## **Annex 6: Procurement and Disbursement Arrangements**

### **PERU: Participatory Management of Protected Areas**

#### **Procurement**

Procurement of goods under the Project would be carried out in accordance with the "*Guidelines, Procurement under IBRD Loans and IDA Credits*" dated January 1995 and revised in January and August 1996, September 1997, and January 1999. Consultants would be employed in accordance with the "*Guidelines, Selection and Employment of Consultants by World Bank Borrower*," dated January 1997 and revised in September 1997, January 1999 and April 2002.

The Project includes a US\$3 million amount to be deposited into an Endowment Fund, which would be invested to produce interest earnings. The Fund will be managed by an Asset Manager selected in 1995 under a prior GEF Grant (PROFONANPE I) through a competitive process, reviewed and accepted by the Bank, with the assistance of a qualified financial adviser.

#### **Assessment of the agency's capacity to implement procurement**

PROFONANPE, the implementing agency, is a non-profit and well-organized entity operating under private legal framework. As the recipient of the Grant funds, it will have overall responsibility for procurement under the Project. An assessment of PROFONANPE's capacity to implement procurement actions under the Project has been carried out and its outcome has been approved by the Regional Procurement Advisor's office on May 1st., 2002. The overall risk has been assessed as AVERAGE. With respect to procurement, the following actions have been recommended: (i) recruitment of a qualified procurement specialist; (ii) preparation of a Subproject Operational Manual specifying procurement procedures to be followed under the Sustainable Economic Activities; and (iii) presentation of a detailed Procurement Plan for the first year of operations, by the time of Grant negotiations.

#### **Procurement Plan**

PROFONANPE has developed an indicative project procurement plan which provided the basis for the amounts in Table A. A more specific plan for the first year of operation has also been prepared. At the beginning of each calendar year, PROFONANPE will update the Procurement Plan with a detailed procurement schedule for the coming year.

#### **Procurement methods (Table A)**

#### **Procurement of Works**

Civil works include small contracts for construction of PA information centers, guard stations, river landings, etc. Contracts estimated to range between US\$5,000 and US\$100,000 will be procured (up to an aggregate amount of US\$250,000) on the basis of comparison of at least three price quotations in response to a written invitation that will include a detailed description, specifications and relevant drawings of the works, the completion date, and a basic form of contract acceptable to the Bank.

#### **Procurement of Goods**

The project will finance procurement of vehicles, boats, radio equipment, electricity generators, water pumps, computers and other office equipment, estimated at a total of US\$1 million. To the extent

possible, these goods will be grouped into bidding packages of more than US\$50,000 for procurement through open competition nationally advertised (NCB). Contracts for goods costing more than US\$250,000 will be procured through ICB. Standard bidding documents acceptable to the Bank would be used. Contracts with estimated value below US\$50,000 up to an aggregate amount of US\$500,000 will be procured following shopping procedures.

### **Selection of Consultants, Training and Management Services**

Consulting and management services will be contracted in the following areas of expertise: PA management, capacity building, public awareness campaigns, participatory planning, training, biodiversity conservation, legal, social, and financial management.

**Firms/NGOs.** Consulting and management contracts with firms estimated to cost US\$200,000 and more would be procured through Cost-Quality Based Selection (QCBS). Contracts ranging between \$50,000 and 200,000 would be awarded through Fixed Budget (FB) method. Other contracts, estimated at \$50,000 or less, would be selected through Consultants' Qualifications (CQ) method or, in the case of routine and straightforward nature services, through the Least-Cost Selection (LC) method.

*Management Service* fees for the PAs are estimated to range between \$300,000 and \$600,000. According to Peruvian Law, PA management can only be delegated by INRENA to non-profit organizations. Therefore, INRENA will select a non-profit organization (NGO) following QCBS procedures and sign a management service agreement. Subsequently, a contract will be made between PROFONANPE and the selected NGO to finance the management services, of which the INRENA agreement will be integral part. A Request for Proposals suitable for these type of services is in preparation; its terms and conditions will be subject to Bank's review and acceptance.

In addition to service fees, the contracts will include advances to be made by PROFONANPE for purchasing office equipment, tools, uniforms, building of ranger posts, reforestation, organizing training workshops, etc. These goods, works and services would be reimbursed to the management service provider at cost against invoices. Procurement of these items will follow commercial practices requiring comparison of price quotations whenever possible. Given the remote location of PAs a certain amount of direct contracting is expected. The contract between PROFONANPE and the NGO includes the procurement aspects in an annex. This annex will provide the possibility for the management service providers to employ individual contractors and handymen. PROFONANPE will be responsible for ensuring procurement compliance and will authorize sole-sourcing at the time the annual implementation plans are agreed upon.

*Administrative Services for Environmentally Sustainable Programs/Subprojects.* An NGO/firm will be selected on a competitive basis to administer a subgrant fund to finance these small programs/subprojects. This administration contract is estimated at US\$500,000.

**Individuals:** Specialized advisory services would be provided by individual consultants selected up to an aggregate amount of \$2,000,000 by comparison of qualifications of three candidates and hired in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines.

### **Environmentally Sustainable Economic Activities**

The Grant includes US\$1.2 million equivalent to finance small-scale environmentally sustainable

activities executed by local communities; an additional US\$5 million would be added by Dutch and German cofinanciers. The subgrants, estimated to range between \$10,000 and \$100,000, will be awarded on a competitive basis and will be co-financed, in kind or in cash, by the subgrant beneficiaries. Goods and works financed under the subgrants would follow local commercial practices requiring price comparison to the extent possible. Eligibility, requirements and other aspects, along with specific procurement and financial procedures will be detailed in a Subproject Operations Manual.

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

Expenditure Category	Procurement Method <sup>1</sup>				Total Cost
	ICB	NCB	Other <sup>2</sup>	N.B.F.	
<b>1. Works</b>	0.00 (0.00)	0.00 (0.00)	0.25 (0.25)	0.41 (0.00)	0.66 (0.25)
<b>2. Goods</b>	0.00 (0.00)	0.60 (0.60)	0.10 (0.10)	0.71 (0.00)	1.41 (0.70)
<b>3. Services</b> <b>3) Consulting; 4) Management</b> <b>and 5) Training Services</b>	0.00 (0.00)	0.00 (0.00)	8.11 (8.11)	5.07 (0.00)	13.18 (8.11)
<b>6. SubGrants</b>	0.00 (0.00)	0.00 (0.00)	1.20 (1.20)	5.28 (0.00)	6.48 (1.20)
<b>7. Recurrent Costs</b>	0.00 (0.00)	0.00 (0.00)	1.74 (1.57)	3.36 (0.00)	5.10 (1.57)
<b>8. Endowment Fund</b>	0.00 (0.00)	0.00 (0.00)	3.00 (3.00)	3.00 (0.00)	6.00 (3.00)
<b>Total</b>	0.00 (0.00)	0.60 (0.60)	14.40 (14.23)	17.83 (0.00)	32.83 (14.83)

<sup>1/</sup> Figures in parenthesis are the amounts to be financed by the Bank Grant. All costs include contingencies.

<sup>2/</sup> Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project unit, training, technical assistance and incremental operating costs

**Prior review thresholds (Table B)**

The proposed thresholds for prior review are based on the procurement capacity assessment of the project implementing unit.

**Table B: Thresholds for Procurement Methods and Prior Review** <sup>1</sup>

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$ thousands)</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review (US\$ millions)</b>
<b>1. Works</b>	>100	NCB	None expected
	<100	Shopping	First contract (0.01)
<b>2. Goods</b>	>50	NCB	First contract (0.30)
	<50	Shopping	None
<b>3. Services Consulting</b>	>200	QCBS	All contracts (4.30)
<b>4. Management</b>	>50	Fixed Budget	None
<b>5. Training</b>	<50	Least Cost or Consultants' Qualification	None None

**Total value of contracts subject to prior review:** US\$4.61 million

**Overall Procurement Risk Assessment**

**Average**

**Frequency of procurement supervision missions proposed:** One every 12 months (includes special procurement supervision for post-review/audits)

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

## Disbursement

### Allocation of grant proceeds (Table C)

The proceeds of the grant will be disbursed over a six year period. Disbursements will be transaction based, i.e., against Statement of Expenditure (SOEs), full documentation, direct payments or special commitments. The Project is estimated to reach completion by April 14, 2009 and the Grant closing date is set at October 14, 2009. Retroactive financing up to an amount of US\$500,000 will be possible for expenditures of categories 2, 3 and 5 and 7 and after October 1, 2002 up to Grant signature.

**Table C: Allocation of Grant Proceeds**

<b>Expenditure Category</b>	<b>Amount in US\$million</b>	<b>Financing Percentage</b>
1. Works	0.20	100
2. Goods	0.60	100
3. Consulting Services, including audits	1.40	100
4. Management Service Contracts	4.00	100
5. Training	2.20	100
6. Subgrants for Small Scale Economic Activities	1.10	100% of disbursed amounts
7. Incremental Operating Costs	1.30	100
8. Endowment Fund	3.00	100
9. Unallocated	1.03	
<b>Total Project Costs</b>	14.83	
<b>Total</b>	14.83	

A first tranche for the capital contribution for the Endowment Fund in the amount of US\$2.5 million will be disbursed into the Fund when PROFONANPE provides proof that the contribution of the Government of Finland is available in the PROFONANPE endowment fund. A second tranche disbursement of US\$500,000 will be disbursed into the Fund, again, once an equal amount has been matched by PROFONANPE. The first tranche disbursement is estimated to occur at the time of Grant effectiveness.

The recruitment of an agency to prepare the operational manual for the Sustainable Economic Activities subcomponent and implement the program as well as the approval by PROFONANPE of this manual is a condition of disbursement for expenditures under category 6: Subgrants.

Training costs include, inter alia: training fees, facilitators' fees, rentals of training centers, meals, supplies, and transportation and per diem for participants.

Premiums for accident insurance policy for PROFONANPE consultants traveling and working in the PAs will be included under category 3: Consultant Services.

Incremental Operating Costs are operating costs arising from the implementation of the Project, including, inter alia: utilities, communications, transportation costs, per diems, office supplies, office rent, labor and salaries for INRENA's PA staff.

### **Use of statements of expenditures (SOEs):**

Most grant funds are expected to be disbursed through Statement of Expenditure (SOEs) forms. They include: (i) contracts for civil works costing less than US\$100,000; (ii) goods under contracts costing less than US\$50,000; (iii) individual consultant contracts costing less than US\$50,000; and (iv) contracts with consulting firms costing less than US\$200,000; (v) training expenditures; (vi) small-scale subgrants and (vii) incremental operating costs. Full supporting documentation will be required for all other expenditures. Supporting documentation would be maintained by PROFONANPE for at least one fiscal year after the year in which the last disbursement from the Grant took place, and would be available for Bank staff and independent auditors' review.

### **Special account:**

The recipient will open and maintain a Special Account (SA) in a commercial bank, in US dollars, under terms and conditions satisfactory to the Bank to cover GEF's share of eligible expenditures. Until aggregated disbursement amount to SDR2'500,000, the Special Account will have an authorized allocation of US\$300,000. After such threshold is met, the authorized allocation will be of US\$650,000. The Special Account will be maintained by the depositary bank in a way that satisfies the requirements listed in Annex A of OP 12.2.

### **Accounting and Financial Management**

A Financial Management Specialist conducted an assessment of the accounting, controls over disbursements and resources, planning and budgeting as well as the level of administrative staff. The assessment determined that PROFONANPE has proved to be a solid institution that has gained the trust of both donors and project implementing agents. This success clearly qualifies PROFONANPE as an eligible entity to implement larger projects. In spite of the expertise developed over these years, the financing of six protected areas at large distances from the capital will make the process quite complex, regarding the flow of funds and information to and from the PAs. PROFONANPE's experience has allowed them to develop a series of procedures and internal controls that contribute to a sound financial management system; however, such system still needs to be strengthened in terms of number of staff, adequate training to PAs staff, installment of the computerized system in the PAs; and the effective implementation of the procedures defined. Under these considerations, the *inherent risk* can be rated as *low*, but with a *medium control risk*, which can be downgraded to low if all systems and procedures defined for the operation of the project are implemented and put in place as expected.

On the basis of the assessment performed, the financial management team concluded that the financial management of PROFONANPE, currently satisfies the Bank minimum financial management requirements. However, this capacity can be further consolidated through the implementation of some key recommendation in the areas of Organization and Staffing and the Accounting system. These recommendations have been summarized in an action plan with the following main characteristics: (i) two additional financial management assistants should be recruited by effectiveness; (ii) the operation of the treasury module should be fully integrated into the budget and accounting modules so that all transactions are recorded only once. This automation should include the selection of the bank account that currently has to be selected manually by the Treasurer; (iii) the definition of the project plan for the proposed grant should include the classification of expenditures by cost category, so that the budgeting module allows the preparation of reports by project component/activity and category; (iii) regarding the use of the exchange rate under the different modules of the system, PROFONANPE should prepare

specific instruction explaining the new procedures to determine the exchange rate to be used by the PAs. Most recommendations were implemented by project appraisal.

### **Audit**

PROFONANPE has recruited an independent auditing firm, satisfactory to the Bank, to carry out yearly audits of the financial statements, special account and statement of expenditures (SOEs) and the Endowment Fund. The audit firm will work under terms of reference acceptable to the Bank. Audit reports will include explicit opinions and comments, as applicable, on the methodology employed in the preparation of SOEs, their accuracy, relevance of supporting documents, eligibility for financing, standards of record keeping and internal controls, and the financial statements required by the Bank.

Audit reports would be submitted within six months following the end of PROFONANPE's fiscal year. A multi-year contract would be sought to avoid delays in submission of audit reports to the Bank, and its cost would be eligible for Bank financing.

Project financial reporting arrangements. The semi-annual financial statements will include: (i) the statement of receipts and payments by funding source (with expenditures classified by budgetary line and/or disbursement category); (ii) uses of funds by project activities (including budget comparison); and (iii) the Special Account reconciliation statement. These project financial statements, along with the physical progress and procurement sections of the Financial Monitoring Reports (FMRs), will be submitted to the Bank no later than 45 days after the end of each reporting period. FMRs will be used for reporting, not disbursement, purposes.

For Bank purposes, the annual financial statements will include, additionally, the schedule of Statements of Expenditure (SOEs) presented during the year in support of Withdrawal Applications.

**Annex 7: Project Processing Schedule**  
**PERU: Participatory Management of Protected Areas**

<b>Project Schedule</b>	<b>Planned</b>	<b>Actual</b>
<b>Time taken to prepare the project (months)</b>	15	41
<b>First Bank mission (identification)</b>	05/15/1999	05/15/1999
<b>Appraisal mission departure</b>	08/15/2000	11/11/2002
<b>Negotiations</b>	10/15/2000	01/09/2003
<b>Planned Date of Effectiveness</b>	01/15/2001	04/15/2003

**Prepared by:**

PROFONANPE: Alberto Paniagua (Director); Manuel Rios (Biodiversity and Protected Area Specialist); Alan Putney (Protected Area Management Specialist); Roberto Espinoza (Sociologist - Indigenous Peoples Specialist); Sixto A. Requena (Project Design engineer); Raul Tolmos (Environmental Economist); Frederica Barclay (Anthropologist); Hugo Wiener (Financial Analyst)

INRENA: Luis Alfaro (Director of Protected Areas); Gustavo Suarez de Freitas (Director of Protected Areas)

FAO/CP: Random Dubois (Sr. Environmental Advisor)

Dutch Government: Karin Verbaken (Gender Analyst); Chris van Dam (Sociologist)

**Preparation assistance:**

Liliana Vendeuvre

**Bank staff who worked on the project included:**

<b>Name</b>	<b>Speciality</b>
Pierre Werbrouck	Lead Agricultural Economist
Carlos Monge	Rural Development Specialist
Carmen Palaco Nielsen	Procurement Analyst
Lourdes Consuelo Linares	Financial Management Specialist
Maria Elena Castro	Social Scientist
Gonzalo Castro	Biodiversity Specialist
David Varela	Sr. Legal Counsel
Xiomara Morel	Sr. Finance Officer
Patricia McKenzie	Financial Management Specialist
Luz Meza-Bartrina	Sr. Legal Counsel

**Annex 8: Documents in the Project File\***  
**PERU: Participatory Management of Protected Areas**

**A. Project Implementation Plan**

See Annex 15

**B. Bank Staff Assessments**

**C. Other**

1. Biodiversity Threats Assessments in PAs
2. Protected Areas Profiles
3. Social and Institutional Assessment in five PAs
4. Detailed Reports on Social Consultations in five PAs
5. Studies of Sustainable Economic Activities by Protected Area and Buffer Zones
6. Indigenous Peoples Development Plans
7. Documents related to Parallel Financing from KfW - Morona- Pastaza
8. Terms of Reference of the PA Management Service Providers
9. Terms of Reference of the Institutional Development Study (PROFONANPE-INRENA)
10. Terms of Reference of the Specialized Agency to Manage the Sustainable Economic Activities Component
11. Terms of reference of PAMCs
12. Project Gender Analysis
13. Specimen Contract for Endowment Fund Asset Manager
14. Draft Framework Agreement PROFONANPE - INRENA (November 2002)
15. Project Monitoring and Evaluation Plan
16. Project Cost tables
17. Institutional Analysis of NGOs at national and PA level
18. Guidelines for the Management Information System
19. SINANPE Financial Gap Analysis and Terms of Reference of the Financing Strategy study
20. INRENA draft Institutional Reform document (Instituto Apoyo)

\*Including electronic files

**Annex 9: Statement of Loans and Credits**  
**PERU: Participatory Management of Protected Areas**

Project ID	FY	Purpose	Original Amount in US\$ Millions		Cancel.	Undisb.	Difference between expected and actual disbursements <sup>a</sup>	
			IBRD	IDA			Orig	Frm Rev'd
P060499	2000	Indigenous Peoples Development	5.00	0.00	0.00	4.95	-0.05	0.00
P062932	2000	PE-HEALTH REFORM PROGRAM	80.00	0.00	0.00	80.00	0.00	0.00
P047690	2000	RES. & EXTENSION	9.60	0.00	0.00	9.10	-0.50	0.00
P039086	1999	PE URBAN PROPERTY RIGHT	38.00	0.00	0.00	21.76	9.03	0.00
P042442	1997	SIERRA NATURAL RES.	51.00	0.00	0.00	12.97	2.97	0.00
P008037	1997	IRRIG. REHAB	85.00	0.00	0.00	40.16	35.16	22.16
P008051	1995	LIMA WATER Rehabilitation & Mgt. Proj.	150.00	0.00	0.00	23.51	23.51	0.00
P008055	1995	PE-PRIM.EDUC	146.40	0.00	20.71	8.96	29.68	5.73
Total:			565.00	0.00	20.71	201.42	99.80	27.88

PERU  
STATEMENT OF IFC's  
Held and Disbursed Portfolio  
Apr-2001  
In Millions US Dollars

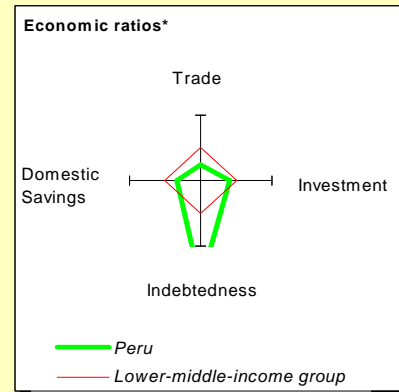
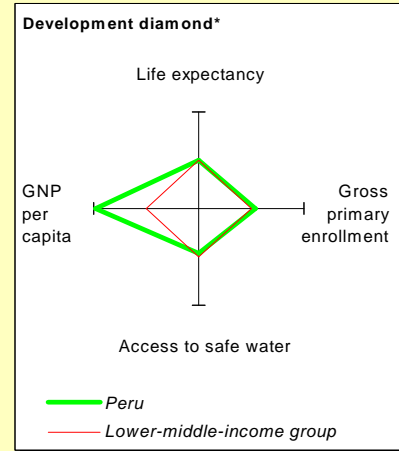
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
2000	Agrokasa	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
1999	Alicorp	20.00	0.00	20.00	20.00	20.00	0.00	20.00	20.00
1979/83/90/93	Buenaventura	0.00	0.38	0.00	0.00	0.00	0.38	0.00	0.00
1997	Interbank-Peru	20.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00
2000	Laredo	15.00	0.00	0.00	0.00	9.00	0.00	0.00	0.00
1998	Latino Leasing	10.00	2.50	0.00	0.00	10.00	2.50	0.00	0.00
1999	Milkito	3.50	0.00	3.50	0.00	3.50	0.00	3.50	0.00
1984	Minera Regina	1.29	0.00	0.00	0.00	1.29	0.00	0.00	0.00
1994	PPF Cayman	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1998	Paramonga	22.00	0.00	0.00	21.76	14.18	0.00	0.00	13.59
1994	Peru Prvtzn Fund	0.00	13.89	0.00	0.00	0.00	13.89	0.00	0.00
1993/96/00	Quellaveco	0.00	0.60	0.00	0.00	0.00	0.56	0.00	0.00
1999	RANSA	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
2001	UPC	7.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
1982/92/95	Wiese Leasing	4.55	0.00	0.00	0.00	4.55	0.00	0.00	0.00
1993/94/99	Yanacocha	20.00	0.00	0.00	80.00	0.00	0.00	0.00	0.00
1998/01	agroguayabito	2.00	0.00	0.00	0.00	0.74	0.00	0.00	0.00
Total Portfolio:		141.34	17.37	23.50	121.76	105.26	17.33	23.50	33.59

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
1998	Wong	25000.00	5000.00	0.00	60000.00
2000	CAMSA	2000.00	0.00	0.00	0.00
2001	Peru OEH	10000.00	0.00	0.00	0.00
Total Pending Commitment:		37000.00	5000.00	0.00	60000.00

## Annex 10: Country at a Glance

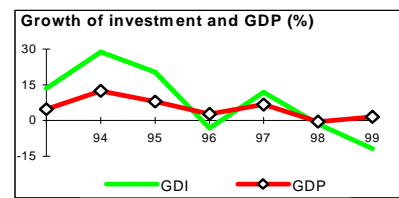
### PERU: Participatory Management of Protected Areas

POVERTY and SOCIAL	Peru	Latin America & Carib.	Lower-middle-income		
<b>1999</b>					
Population, mid-year (millions)	25.2	509	2,094		
GNP per capita (Atlas method, US\$)	2,350	3,840	1,200		
GNP (Atlas method, US\$ billions)	59.3	1,955	2,513		
<b>Average annual growth, 1993-99</b>					
Population (%)	1.7	1.6	1.1		
Labor force (%)	2.6	2.5	1.2		
<b>Most recent estimate (latest year available, 1993-99)</b>					
Poverty (% of population below national poverty line)	41	..	..		
Urban population (% of total population)	72	75	43		
Life expectancy at birth (years)	69	70	69		
Infant mortality (per 1,000 live births)	40	31	33		
Child malnutrition (% of children under 5)	8	8	15		
Access to improved water source (% of population)	80	75	86		
Illiteracy (% of population age 15+)	10	12	16		
Gross primary enrollment (% of school-age population)	123	113	114		
Male	..	..	114		
Female	..	..	116		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	<b>1979</b>	<b>1989</b>	<b>1998</b>	<b>1999</b>	
GDP (US\$ billions)	15.5	28.6	62.7	57.2	
Gross domestic investment/GDP	21.7	20.7	24.3	21.7	
Exports of goods and services/GDP	27.7	12.4	12.0	13.6	
Gross domestic savings/GDP	30.3	20.8	19.5	19.9	
Gross national savings/GDP	..	..	18.3	18.2	
Current account balance/GDP	4.7	-0.8	-6.0	-3.6	
Interest payments/GDP	3.7	0.5	1.8	2.4	
Total debt/GDP	59.6	64.9	51.6	56.8	
Total debt service/exports	33.8	8.9	27.4	26.2	
Present value of debt/GDP	..	..	53.5	..	
Present value of debt/exports	..	..	374.8	..	
	<b>1979-89</b>	<b>1989-99</b>	<b>1998</b>	<b>1999</b>	<b>1999-03</b>
(average annual growth)					
GDP	0.5	4.3	-0.5	1.4	5.3
GNP per capita	-2.3	3.3	-2.4	-0.8	3.5
Exports of goods and services	-1.8	7.3	3.3	7.4	7.0



#### STRUCTURE of the ECONOMY

	1979	1989	1998	1999
<i>(% of GDP)</i>				
Agriculture	11.7	8.0	7.1	7.2
Industry	42.8	36.2	36.8	37.3
Manufacturing	23.5	25.3	23.1	23.7
Services	45.5	55.8	56.1	55.5
Private consumption	61.0	68.7	71.6	71.1
General government consumption	8.6	10.5	8.9	9.0
Imports of goods and services	19.1	12.3	16.7	15.5



#### *(average annual growth)*

	1979-89	1989-99	1998	1999
Agriculture	2.8	4.5	0.4	12.9
Industry	0.3	5.5	-0.3	0.0
Manufacturing	0.3	3.7	-3.6	0.3
Services	0.2	3.6	-0.7	0.9
Private consumption	2.5	2.4	-0.4	0.8
General government consumption	1.2	2.3	1.8	3.2
Gross domestic investment	-2.5	8.9	-1.3	-11.9
Imports of goods and services	-2.9	9.7	0.1	-17.3
Gross national product	-0.1	5.1	-0.7	1.0

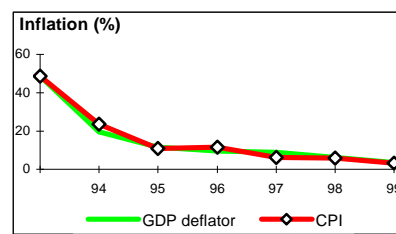


Note: 1999 data are preliminary estimates.

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

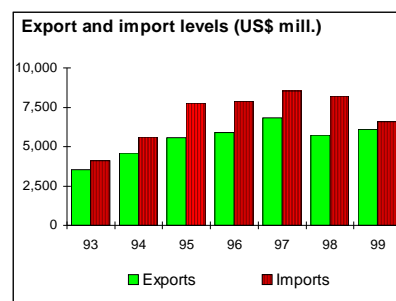
## PRICES and GOVERNMENT FINANCE

	1979	1989	1998	1999
<b>Domestic prices</b>				
(% change)				
Consumer prices	64.7	3,398.7	6.0	3.5
Implicit GDP deflator	73.5	2,926.6	6.4	3.8
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	..	14.0	12.8
Current budget balance	..	..	1.7	0.0
Overall surplus/deficit	..	..	-0.7	-2.7



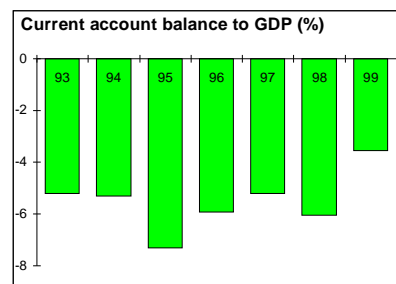
## TRADE

	1979	1989	1998	1999
(US\$ millions)				
Total exports (fob)	..	3,533	5,735	6,114
Copper	..	764	779	776
Fishmeal	..	405	392	533
Manufactures	..	989	1,968	1,874
Total imports (cif)	..	2,287	8,200	6,581
Food	..	366	1,146	932
Fuel and energy	..	219	579	629
Capital goods	..	801	2,592	2,140
Export price index (1995=100)	..	90	83	72
Import price index (1995=100)	..	82	96	95
Terms of trade (1995=100)	..	110	86	76



## BALANCE of PAYMENTS

	1979	1989	1998	1999
(US\$ millions)				
Exports of goods and services	4,085	4,369	7,487	7,793
Imports of goods and services	2,511	3,429	10,492	8,857
Resource balance	1,573	940	-3,005	-1,064
Net income	-966	-1,355	-1,484	-1,635
Net current transfers	123	175	697	669
Current account balance	730	-240	-3,792	-2,030
Financing items (net)	418	780	2,786	1,255
Changes in net reserves	-1,148	-540	1,006	775

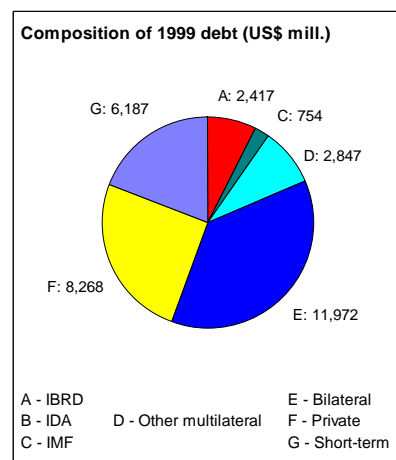


## Memo:

Reserves including gold (US\$ millions)	..	..	9,982	9,002
Conversion rate (DEC, local/US\$)	2.25E-7	4.02E-3	2.9	3.4

## EXTERNAL DEBT and RESOURCE FLOWS

	1979	1989	1998	1999
(US\$ millions)				
Total debt outstanding and disbursed	9,269	18,582	32,397	32,445
IBRD	235	1,085	2,128	2,417
IDA	0	0	0	0
Total debt service	1,402	407	2,454	2,387
IBRD	31	0	184	249
IDA	0	0	0	0
Composition of net resource flows				
Official grants	47	121	239	..
Official creditors	195	117	61	709
Private creditors	248	76	620	310
Foreign direct investment	71	59	1,930	2,068
Portfolio equity	0	0	174	-352
World Bank program				
Commitments	171	0	38	390
Disbursements	61	0	271	381
Principal repayments	12	0	64	89
Net flows	49	0	207	291
Interest payments	19	0	120	166
Net transfers	31	0	88	125



## **Additional Annex 11 Protected Area Profiles**

### **PERU: Participatory Management of Protected Areas**

#### **The Methodology**

The methodology employed leading to the selection of the project supported protected areas (PAs) was re-iterative and adaptive requiring adjustments to changing circumstances as they arose during the project preparation process. Initial site selection criteria were: (i) presence of significant biological diversity, (ii) existence/potential threat to PA biodiversity, (iii) socioeconomic importance, particularly in terms of a PA's potential for generating income, and (iv) level of management needs and requirements.

These criteria were applied to all PAs in SINANPE, and a comprehensive matrix for the entire system was then developed based on the weighted average of score points assigned to each criterion. Through this process all PAs were ranked. Once ranked, an additional criterion was applied which screened out PAs which were or will be receiving meaningful funding. This process led to a list of eight PAs. Of these only NP Huascarán is receiving support and was included after discussions with representatives of PROFONANPE's Board of Directors and the World Bank, because its financial and technical needs were judged as being far greater than the current and planned support due to pressures on the Park associated with a large population living in proximity to it and adjacent mining and tourism development. An additional four protected areas were included due to their proximity to two of the initial eight selected protected areas resulting in two PA clusters. These were: (i) CR Yanasha and PF San Matías-S.Carlos (NP Yanachaga-Chemillén), and (ii) HS Chacamarca and NS Huallay (NR Junín). The 12 PAs are shown in Matrix 1.

Following PA selection, projected reductions in the likely GEF grant required a further prioritization among the aforementioned PAs. This was achieved through the development and application of additional criteria such as the presence of private sector and NGOs with the capacity and interest to manage protected areas. Through this process, the five PAs identified for support under the project were: (i) Huascarán NP, (ii) Tambopata-Candamo NR, (iii) Bahuaja-Sonene NP, (iv) Salinas & Aguada Blanca NR, and (v) Manglares de Tumbes NS. In addition, a sixth protected area still to be created, Morona Pastaza (protected area category to be decided), was included for support under the project. Studies financed by KfW indicated that if Morona Pastaza had already existed it would easily rank at the top of the previously cited long list; it is very large (more than 2.2 million of hectares) and has unique species, information gaps, indigenous populations, economic potential in prospective buffer zones, etc. Moreover, its inclusion will further provide a learning opportunity by participating in the setting up of a protected area based on sound environmental and economic sustainability principles from the very start.

#### **Protected Area Profiles**

Brief profiles of the six PAs proposed for support under the project are presented below.

##### Huascarán National Park (HNP)

HNP was established in 1975 shortly after which UNESCO recognized it as a Biosphere Reserve (1977) subsequently followed by its designation as a Natural Heritage Site (1985). It encompasses 340,000 ha in the Department of Ancash and ranges in altitude from 2,500 to 6,768 meters above sea level. It includes the country's highest mountain (Huascarán). The HNP protects the largest portion of the Central Andean Humid Puna in Peru and includes 779 species of flora. Remnant forests of "queñoas" (*Polylepis spp.*) can also be

found. Indicative examples of “flagship” mammalian species include “taruca” (*Hippocamelus antisensis*), spectacled bear (*Tremarctos ornatus*), vicuña (*Vicugna vicugna*) and puma (*Felis concolor*). The Andean condor (*Vultur gryphus*), ducks such as *Merganetta armata* and the puna partridge (*Tinamotis pentlandii*) are among the site’s 112 bird species.

The people living within or adjacent to NPH is estimated at 300,000, mostly peasant, with indigenous Quechua and mixed cultural backgrounds. The main economic activities consist of mining and small-scale subsistence agriculture and cattle ranching. Increasingly there is evidence of the growing importance of eco-tourism.

Main threats to biodiversity stem from overgrazing, mining-related contamination, and illegal hunting. The HNP has a Master Plan since 1990 that is being updated, and has a tourist plan that was prepared in 1996. It has 59 community committees to handle conflicts over natural pasture use.

Among the numerous stakeholders identified in HNP are included the following: Mountain Institute, Kuntur Institute (local-based environmental management), Hurpichallay Association (agro-biodiversity), the Huari Municipality, tourism service associations, and 39 peasant communities.

#### Tambopata-Candamo National Reserve (TCNR)

Established in 2000 in the Department of Madre de Dios, NRTC covers some 254 thousand ha. and supports exceptionally high levels of biodiversity which in part is due to the presence of species characteristic of three different systems within the Amazon basin: the high forest of the eastern slopes of the Andes; the basin of the Ucayali River and the upper Amazon; and the basin of the Madre de Dios and Madeira Rivers. Available data indicate an estimated 575 bird species, 1200 butterfly species of which 26 are endemic, and 135 ant species.

The total estimated population within TCNR and its surrounding area is 43,400 of which local indigenous populations number 1,140. The main economic activities in or adjacent to the TCNR consist of eco-tourism (7 enterprises), agriculture, and Brazil nut gathering and other extractive activities. Gold mining, although not allowed in the TCNR, takes place on the Malinowski River in areas neighboring the TCNR and on the Madre de Dios River which is adjacent to the buffer zone. There are two important tourist lodges inside the PA.

Main threats to the Reserve’s biodiversity are associated with the aforementioned extractive activities, particularly wood extraction, Brazil nut overexploitation and gold mining. There is also evidence of growing impacts associated with deforestation for agriculture and extensive cattle ranching in the buffer zone.

PAMC for TCNR has been established but is awaiting resolution from DGANPFS. Among numerous identified stakeholders in TCNR are the following: International Conservation (IC), Pro-Natura, Federacion Agraria de Madre de Dios, Native Communities, eco-tourism private companies (Rain Forest Expeditions), small- and medium-scale miners and loggers.

#### Bahuaja-Sonene National Park (BSNP)

Established in 1996 in the Departments of Madre de Dios and Puno BSNP is the country’s second largest national park measuring just over one million has. The Park protects the entire Beni savanna ecoregion. It also protects the second-largest example of Southwestern Amazon Humid Forest. Among the Park’s large number of species, the following are considered threatened: otters (*Ptenonura brasiliensis*), wild mountain

dogs (*Speothos venaticus*) and eagles (*Harpya harpyja*).

Within and adjacent to the BSNP, there is an estimated 73,200 people which include indigenous peoples and settlers who migrated mainly from Puno, Cuzco, and Madre de Dios. The region's main economic activities include gold mining, small-scale agriculture, local trade of flora and fauna, Brazil nut gathering and other extractive practices.

Main threats to BSNP biodiversity are associated with small-scale agriculture, non-sustainable extractive activities and gold mining. While these pressures remain localized given the size of the BSNP, they already exceed the enforcement capacity of park staff.

Among numerous identified stakeholders in TCNR are the following: organized native communities (Federacion Nativa de Madre de Dios-FADEMAD), organized farmer community (Federacion Agraria de Madre de Dios), Internation Conservation (IC), PRONATURALEZA, Defense committee of Northern Frontier Qechua-Aymara (CDSFNQA), Immigrants from Puno (Colonos), small miners, Research Institute of the Peruvian Amazon (IIAP).

#### Salinas & Aguada Blanca National Reserve (SABNR)

The SABNR was established in 1979 and covers 367,000 ha in the Departments of Arequipa and Moquegua. The Reserve ranges in altitude from 3500 to over 6000 meter above sea level and includes a chain of volcanoes and alpine lakes within its boundaries. The high plateau surrounded by the mountains includes a diverse life typical of the Arid Puna. As a result of the extreme temperature range, a unique biodiversity has evolved consisting of 24 out of 470 mammal species in Peru (of which 4 are vulnerable or endangered); 141 out of 1,729 bird species (of which 10 are vulnerable or endangered); 4 out of 365 reptile species; 4 out of 332 amphibious species; and 3 out of 797 fish species. A total of 358 plant species has been identified dominated by the genera *Calamagrostis* (15 species), *Senecio* (12 species) and *Werneria* (10 species). There also exist remnant forests of *Buddleia* sp. *Polylepis* sp and *Puya* which are also protected. Within and adjacent to the SABNR there is an estimated population of 94,700 people. The main economic activities include agriculture, cattle ranching (including native camelids), informal hunting (vicuña and guanaco), and vicuña wool production. Mining is another very important activity, and 23 concessions and 1 well-established mining company are active, producing mainly gold and other precious metals.

Main threats to biodiversity include overgrazing, slash-and-burn practices, illegal hunting of wild camelids (vicuña and guanaco), over-extraction of vegetation, and adverse environmental impacts associated with power generation, road construction, and mining activities in proximity to the Reserve.

Zoning was defined and a Master Plan was ready in 2001. The PAMC is not yet set up, although members have been identified. There are 13 Vicuña Management Committees, national NGOs, one bilateral program and one government program in the SABNR.

Among the numerous stakeholders identified in SABNR are included the following: AECI (alpaca herd improvement and tourism), DESCO (alpaca and vicuna improvement), PRODEMA (alpaca improvement, tourism, and reforestation), the Vicuna committee, alpaca associations, peasant communities, private farms, Charcani hydropower, and mining companies.

#### Manglares de Tumbes National Sanctuary (MTNS)

Located in the Department of Tumbes, the MTNS was established in 1988. It covers an area of 2,972 ha and is characterized by a rich ecosystem that produces a number of environmental "goods and services". The

MTNS was established to protect the only representative example of mangrove forests which exist in Peru, the endangered Tumbes crocodile (*Crocodylus acutus*), and the populations of invertebrates of economic significance. The Sanctuary supports a large diversity of biological resources of significant economic importance for local populations. These include: shrimp, “conchas negras”, crabs and fish. Species counts exist for: fish (93), gastropods (33), bivalves (24), birds (57) of which 8 of the latter are exclusive to the mangrove ecosystem and 26 species other identified as migrants from North America.

The population within MTNS and its environs is an estimated 15,650 people; however much of it is dispersed as there is only one small village, El Bendito, with a population of 276 people, located within the buffer zone (BZ). The main economic activity of the population in and around the TMNS is based on shrimp and fish production. There are currently 27 private shrimp and fish production companies which are allowed to work within the TMNS and its buffer zone. Additionally, some villagers provide limited tourist services, such as boat trips and guiding.

Main threats to its biodiversity is associated with illegal fishing and mollusk collection, shrimp farming, and mangrove harvesting. Sewage and garbage from villages, shrimp farms or other settlements are polluting waters and beaches.

Registry of land property rights is well established. The TMNS set up its PAMC in 1999, and prepared a master plan in 2001; however, the MP is still in need of precise scheduling and operating plans. Its PAMC includes 15 institutional representatives. The TMNS also has a hydro-biology producers’ committee.

Among the numerous stakeholders identified in TMNS are included the following: PRONATURALEZA (park management), ACETUM (reforestation), ASEPROHI (sustainable aquaculture), wood producers cooperative, Genesis (environmental education), private sector shrimp farm producers.

### Morona Pastaza

This proposed protected area covers an estimated 2.3 million ha which represents a portion of a larger 6 million ha zone overlapping Ecuador and Peru formed by volcanic sediments over thousands of years. It includes both sides of the Pastaza River and the eastern part of the Morona basin from the Ecuadorian border down to the Marañon River; and left bank of the Marañon River between both basins in the Department of Loreto. The proposed site’s biodiversity significance stems from the wide range of ecosystems, including humid ecosystems of high global value which contain unique flora and fauna. It is estimated that 95% of ecosystems are still intact. According to an ongoing study (*WWF*), Morona Pastaza contains four types of forests rich in rarely studied flora and wildlife. Species counts include: (i) resident birds (43 of economic significance of which 35% are endangered species), and migratory species (25% of which are endangered); (ii) mammals (including small terrestrial mammals, small flying mammals, and 4 species of aquatic mammals in the Pastaza and Uritayo River basins; 44% of identified mammals are under some category of threat); (iii) fish species (165 species identified in 32 fish families, which is richer than the fish diversity in Pacaya Samiria, including the paiche (*Arapaima gigas*)).

In proximity to the proposed protected area, there is an indigenous population estimated to be about 10,230 people including the Quechua, Candoshi, and Achuar ethno-linguistic groups. The main economic activities which takes place in the Morona Pastaza region are related to oil exploration and exploitation with limited spillover into the local economy; the latter which is dominated by small-scale, subsistence agriculture, cattle ranching, hunting, gathering and fishing.

While there is widespread uncontrolled economic activities along the banks of the Morona, Pastaza and their tributaries, the major threat comes from oil exploration and exploitation. As Morona Pastaza has yet to

be created there are neither staff nor supporting infrastructure and equipment.

Detailed description of the selected areas are available in the project files. Major threats to biodiversity are presented in Matrix 1.

**Matrix 1. Major Threats to Conservation of Biodiversity in Protected Areas Proposed for the PMPA Project**

Protected Area	Threats	Sources	Underlying Causes/Constraints	Possible Project-Supported Activities to Address Threats
Huascarán NP	grassland degradation/ bush fires  water contamination  land degradation/ solid waste  wild fauna population decreasing	overgrazing illegal occupation within PA  mining rights and operations  heavy and poorly planned tourist use  illegal hunting	unclear land tenure lax enforcement of existing PA regulations unknown carrying limits insufficient PA financial sources  weak GOP sectoral coordination insufficient PA financial sources for enforcement  failure to implement existing tourism management plan insufficient or inadequate infrastructure unknown tourism carrying capacity  insufficient PA financial sources for enforcement	clarification of tenure domestic and wild camelid management in buffer zones wild resources management and/or rearing in buffer zones clarification of mining rights promotion of mining cooperatives – introduction of low-impact processing technologies awareness program implementation of tourism management plan  construction of necessary support infrastructure support study of tourism carrying capacity  implementation of controls and patrolling
Tambopata-Can damo NR	water contamination and loss of plant cover  loss of biodiversity	gold mining activities  deforestation illegal hunting bush fires	poor knowledge of better environmental approaches lack of respect for PA from other public sectors poor coordination between GO institutions, enterprises, INRENA indigenous and peasant settlements follow “traditional markets” ignorance of regulations low-income agricultural practices poor knowledge of resource potential for productive opportunities	clarification of mining rights, promotion of mining cooperatives introduction of low-impact processing technologies awareness program  information for productive decisions reforestation with rapid-growth trees research for productive activities with wild resources development of agrotourism/ nature tourism. research for productive activities with aquatic resources in buffer zones
Bahuaja-Sonene NP	loss of biodiversity  water contamination	- deforestation - illegal hunting - bush fires  mining	indigenous and peasant settlements follow “traditional markets” / ignorance of regulations / low-income agricultural practices / poor knowledge of resource potential for productive opportunities poor knowledge of better environmental approaches lack of respect for PA from other public sectors / poor coordination between GO institutions, enterprises, INRENA / insufficient PA financial sources for enforcement	development of agrotourism/nature tourism-research for productive activities with aquatic resources in buffer zones  introduction of low-impact processing technologies awareness program
Salinas/ Aguada Blanca NR	soil and vegetation degradation / bush fires / introduction of exotic	overgrazing confused land tenure poorly-planned	poor knowledge of resource potential for productive opportunities lack of respect for PA from other public	information for productive decisions on grassland management research for productive activities with

	<p>grasses</p> <p>heavy loss of vicuña populations loss of animal species</p> <p>water use interference / contamination</p>	<p>economic development</p> <p>illegal hunting</p> <p>power generation activities inside PA territory mining activities</p>	<p>sectors</p> <p>insufficient PA financial sources poor population unaware of collection limits / poor knowledge of resource potential for productive opportunities unclear NR status in local populations lack of respect for PA from other public sectors</p>	<p>wild resources / domestic camelid use / wild camelids management development of agrotourism/ nature tourism research for productive activities with aquatic resources in buffer zones implementation of controls and patrolling wild resources management and/or rearing management of wild vicuña management of domestic alpaca</p> <p>awareness program water management program clarification of mining rights introduction of low-impact processing technologies implementation of controls and patrolling</p>
<p>Manglares de Tumbes NS</p>	<p>overexploitation of marine resources and mangroves</p> <p>mangrove conversion</p>	<p>increasing population poor knowledge of resource potential for productive opportunities shrimp/tilapia farms inside and surrounding PA</p>	<p>non-enforcement of existing regulations poor population unaware of collection limits poor knowledge of resource potential for productive opportunities</p> <p>non-enforcement of existing regulations insufficient PA financial sources</p>	<p>increase of nature and sport tourism activities management of marine resources (<i>conchas negras</i>, fishes) in buffer zones</p> <p>implementation of existing mangrove management plan/public awareness</p>

## **Additional Annex 12 Environmental Assessment PERU: Participatory Management of Protected Areas**

### **Environmental Assessment Methodology**

The methodology adopted in completing the Environmental Assessment (EA) consisted of the identification of potential positive and negative environmental impacts associated with project activities. An initial environmental impact screening was conducted. Activities with potential adverse impacts received a more detailed analysis. Potential adverse impacts were grouped into six categories: (i) exceeding carrying capacity, (ii) visual impacts, (iii) modification of environmental systems/processes, (iv) solid and liquid waste, (v) fire hazards, and (vi) increased human health risk. Following impact identification, appropriate mitigation measures were developed. These were subsequently incorporated and budgeted in the respective component's design during the project preparation process. The aforementioned process is in conformity with the World Bank's OP 4.01 as applied to Category B projects and Peru's Natural Protected Areas Law (see below).

### **Natural Protected Areas Law**

Environmental requirements associated with any development activities proposed for a National Protected Area in Peru falls under the country's Natural Protected Areas Law. In the case of large works the Law requires an Environmental Impact Assessment (EIA). In the case of smaller works, the law requires only an environmental analysis. The law also provides some specific environmental safeguards regulating eco-tourism projects. All proposed eco-tourism projects must include an environmental impact declaration and a description of monitoring activities, to be reviewed by INRENA.

### **Impacts**

Most project environmental impacts will be positive. The initial screening identified potential negative impacts in the following sub-components: (1.2) participatory master and resource management plan implementation; and (1.3) small-scale environmentally sustainable economic activities in PAs and buffer zones. See Matrix 1 for more detail

#### Master and Resource Plan Implementation

Activities which are likely to be identified in the master plan implementation include small-scale infrastructure (e.g., construction and maintenance of PA infrastructure such as visitor centers, trails, and refuges), concession contracts for extractive and other economically productive activities, and tourism development. The specific nature and location of the activities implemented under the above sub-components will be identified in the master plans.

#### Sustainable Economic Activities

Under the sub-component "Sustainable economic activities in PAs and buffer zones," an estimated 100 small-scale economic initiatives or development subprojects will be implemented in the buffer zones and/or PA core areas financed under a matching grant scheme with participating beneficiaries. Productive investments with potential adverse impacts might include eco-tourism projects, economic use of flora and fauna, small-scale mining, and livestock production.

## **Proposed Mitigation and Monitoring of Negative Environmental Impact**

Given that have yet to be specified, mitigation measures are based on ensuring that the necessary procedures and resources are in place *a priori* into the design and implementation of relevant activities and that appropriate mitigation measures have been incorporated. To achieve this, the following measures have been included in project design:

Inclusion of Environmental Mitigation in Plans. Under sub-component 1.1 guidelines, standards, and criteria for planning will be developed. In conformity with INRENA's environmental policies and procedures, environmental assessment and mitigation procedures will be incorporated in these guidelines and applied where specific activities supported in the PA may have potential adverse impacts. Specific expertise will be contracted to develop investment/site-specific mitigation measures. The master plan will provide the necessary framework to identify infrastructure works to be financed and will serve as the framework to assess whether proposed small-scale, environmentally-sustainable development activities are compatible with conservation criteria. All plans are to be approved by INRENA prior to implementation. It is estimated that all infrastructure works supported under the project will be small and only an environmental analysis will be required under the Protected Areas Law. Similarly, for non-infrastructure activities to be carried out under sub-components 1.2 and 1.3, Environmental Impact Declarations will be required.

Monitoring of Management Contracts. Where private non-profit entities will be responsible for PA management responsibilities, their contracts will explicitly state that they will be required to monitor and ensure environmental compliance with any park activities which could potentially result in adverse environmental impacts. Similarly, where private sector entities will be responsible for specific activities (e.g., construction of PA infrastructure and/or eco-tourism activities), relevant environmental safeguards will be specified in their contracts. Ultimately, INRENA will be the responsible agency for the environmental screening, inclusion of mitigation measures in contracts and enforcing compliance with environmental mitigation measures. INRENA staff, responsible for monitoring and enforcing contractor compliance will be trained in such tasks. Where needed, INRENA may contract individuals or firms to carry out environmental assessments and subsequent monitoring.

Environmental Screening of Small-scale, Sustainable Economic Activities. Guidelines, technical assistance, and environmental review and clearance by the project environmental specialist in PROFONANPE will ensure that subprojects avoid adverse environmental impacts. Specifically, environmental screening procedures and mitigation requirements and procedures will be included in the Sustainable Economic Activities Operational Manual. Nevertheless, no subproject will be approved by PROFONANPE unless the environmental specialist has approved the subproject. To simplify the screening, the Manual will include a categorization of subprojects and a standard list of mitigation measures. As many of the targeted beneficiaries will require technical assistance to prepare subproject proposals, such technical assistance will also assist with identifying and incorporating relevant mitigation measures, where necessary.

List of Activities and Subprojects Excluded from Financing. Less the exception noted below, the project will not finance the following activities: air strips; connections to the power grid; forestry exploitation; use of large boats and deep nets; introduction of exotic species in the strict and wild protection zones; large-scale fishing **or processing activities within PAs**; use of highly toxic substances (e.g., persistent organic **pollutants**, heavy metals, etc.); and construction of roads (except short tracks between buildings in one single compound).

**Matrix 1. Illustrative Project Supported Activities and Mitigation Measures**

	Potential Adverse Impacts	Relevant EA Measure	Possible Mitigation Measures
<u>Sub-component 1.2 Plan Implementation</u>			
Construction of a visitor center	Improper siting; visual eyesore; water and solid waste contamination; vegetation removal; increased erosion/sediment loading	MP; EA; CO; RC	PA properly zone and reflected in MP; architectural design in conformity with PA surroundings; appropriately sized/designed human waste facilities; dry season construction and sediment screens; revegetation
Trail construction	Visual impacts; vegetation removal; increased erosion/sediment loading; off-trail impacts; wildlife conflicts	MP; EA; CO; RC	PA properly zone and reflected in MP; dry season construction and sediment screens; revegetation; controlled use; proper maintenance; actions to increase visitor awareness
Permit to extract Brazil nuts	Extraction levels exceed sustainable replacement levels; associated illegal extractive activities; wildlife conflicts; induced incremental extractive demand	MP; EA; RC;	Baseline study to ascertain sustainable harvest capacity; extraction contracts negotiated; lottery/rotating system of awarding contracts; monitoring and enforcement.
Construction contracts	Environmental mitigation measures associated with infrastructure works and small-scale reproductive activities within PA are not being adequately enforced /monitored resulting in adverse environmental impacts.	EA; CO; TA; TR	Include contractual obligations in PA management contracts with penalty clauses; provision of TA and training support if needed; INRENA oversight.
Concession contract for ecotourism tours	Environmental mitigation measures associated with infrastructure works are not being applied resulting in adverse environmental impacts.	EA; CO; TA; TR	Same as above.
	Development and use of tour route adversely impacts PA core area; visual impacts; exceeds local carrying capacity	MP; EA; CO; RC	PA properly zone and reflected in MP; support baseline study to support sound tour design in conformity with PA surroundings; limits on human use; tour operator self-polices tourists and supports public awareness activities.
<u>Sub-component 1.3 Sustainable Economic Activities</u>			
<u>Small-scale mining production</u>	Human and environmental contamination associated with ore processing; vegetation removal; increased erosion/sediment loading; induced development.	MP; EA; TA; TR; RC	MP zones buffer zone and permissible activities supported by project; extraction/processing plans required and include human health and environmental safety standards; provision of TA and training to small producer to comply; monitoring and enforcement
Small-scale livestock production	Overgrazing; vegetation removal; livestock-wildlife	MP; EA; TA; TR; RC	MP zones buffer zone and permissible activities supported by project; baseline



## **Additional Annex 13 Social Assessment and Strategy PERU: Participatory Management of Protected Areas**

### **Introduction**

During project preparation, a social assessment and public consultation were carried out to identify: (i) the social factors contributing to environmental degradation and loss of biodiversity in five project PAs (Attachment D), and (ii) potential adverse social impacts associated with the project. Following the assessment and consultation process, a project social strategy was designed.

### **Main Social Issues**

The Natural Protected Areas Law and its bylaws (DS 038) provide the conceptual and legal framework for private sector and civil society participation in the management of the national system of protected areas through: (i) private sector participation in the SINANPE Coordination Council; (ii) involvement of NGOs, private sector, community-based organizations and public sector stakeholders in the design of PA Master Plans; and (iii) establishing and strengthening PAMCs as a tool to allow stakeholders participation in PA management. The project will implement this framework. Despite many positive features, the project may have some adverse social impacts and has to address some social issues.

#### Restrictions in Access to Natural Resources.

There will be no resettlement under the project. However, there is a slight possibility that certain conservation measures may result in limiting or eliminating access to relevant areas (e.g., strict conservation areas) affecting some poor communities' source of living. Demographic growth and non-sustainable activities in buffer zones that are threatening PAs make it necessary to develop sustainable alternatives.

#### Involvement of Indigenous Peoples.

In five of the six project PAs, there are indigenous communities of various ethnic groups. Most of them live in poverty and their livelihoods depend on subsistence agriculture and natural resources exploitation. Because of cultural differences and lack of representation, indigenous communities have not been able to fully participate in the management of PA that influences directly their welfare. This demands to identify alternatives that address poverty reduction and conservation, taking into account their cultural background.

#### Gender Equity Issues

Men and women play a distinctive role using and managing natural resources in PAs. Women's involvement is particularly important in plants and wood collection, small agriculture and cattle rearing, and other activities closely related to PA conservation. However, they have a limited participation in decision-making and the lack of a gender approach in traditional PA management makes it difficult for them to access training and resources to play a more active role. This traditional perspective limits the effectiveness of conservation strategy and deepens the gender gap.

### Land Tenure Issues.

The project's five PAs have mapped and registered boundaries. However, there are land and boundary disputes in three of them. While the Ministry of Agriculture is responsible for addressing this issue, PROFONANPE has decided not to proceed to area demarcation under dispute until a solution is reached.

### Protected Areas Management Contracts

INRENA will contract private non-profit PA management providers (NGOs). Some communities perceive this approach as a "privatization" of PAs that might adversely affect their welfare. There is also concern that this approach may complicate the already difficult relationship between INRENA and the communities and result in another institutional layer that impedes rather than facilitates PA management.

### **Strategy to Address Social Issues**

The project's social strategy comprises the complementary application of the following instruments: (i) a Process Framework (PF); (ii) Indigenous Peoples Development Plans (IPDPs); (iii) a Gender Strategy (GS); and (iv) the promotion of public participation (PPP). This social strategy will be integrated into the PA management plans and will guide project implementation.

### Process Framework (PF)

The PF focuses on mitigating possible impacts of restricting access or use of natural resources. Agreements with affected groups to address this issue will be reached through a participatory process comprising: (i) impact assessment of restrictions on livelihoods; (ii) design and financing of sustainable economic alternatives to re-establish, or improve previous conditions, culturally compatible with communities involved; and (iii) providing training and technical assistance to carry out agreed activities.

The PF comprises a mechanism to address possible conflicts through the established PAMCs to operate under the following principles: (i) any restrictions on access to resources will be jointly defined with the affected communities during the preparation of the PA's management plans; and (ii) participation mechanisms will ensure that these communities will be actively involved throughout the decision-making process (see Attachment A for more detail).

### Indigenous Peoples Development Plans (IPDPs).

IPDPs includes all activities specifically intended to promote indigenous peoples participation in the project, ensuring that they receive an equitable share of project-derived benefits, and that their rights are protected. IPDPs for the five protected areas have been prepared and are to be implemented through annual plans agreed with involved indigenous communities. IPDPs comprise strengthening indigenous organizations, supporting their participation in PMACs and financing sustainable economic alternatives, training and technical assistance. The project's M&E System comprises specific indicators to track benefits towards indigenous peoples. (see detailed summary in Attachment B and complete IPDPs in the project files).

### Gender Strategy (GS)

The project's gender strategy will mainstream a gender equity approach among communities, civil society organizations, and public institutions involved. All activities under the project will follow this

approach, taking into account gender priorities and designing activities according to their abilities and needs. The project will support: (i) strengthening women organizations; (ii) training men and women to promote an innovative leadership allowing equal access in decision-making; (iii) financing women initiatives involving sustainable use of natural resources; and (iv) technical assistance and training to implement this initiative. Gender equity guidelines will help to mainstream a gender equity approach in INRENA, PROFONANPE and civil society organizations participating in the project. The PA Management Service Provider will include qualified personnel to implement this approach. Gender disaggregated data and analysis will help to monitor compliance with this strategy. The project's M&E System will comprise specific indicators to track progress in gender equity promotion.

### Public Participation Promotion (PPP)

PPP is intended to address concerns raised by the proposed PA Management Service Contracts and to support the project participatory approach through: ensuring stakeholder participation in the design and execution of PA management plans and in PAMCs. PPP comprises: (i) dissemination of project-related information to increase local communities involvement in biodiversity conservation activities; (ii) support stakeholders participation, particularly indigenous and women, in PA management, including selection of PA management contractors; (iii) strengthening civil society organizations and developing vulnerable groups leadership skills to ensure stakeholders representation in PAMCs; and (iv) a public awareness campaign about biodiversity conservation to promote social responsibility toward PA protection.

### **Social Strategy Action Plans and Annual Programs**

Social Strategy Action Plans, to cover the six years project span, are to be prepared for each PA identifying specific activities for each one of the four Social Strategy's instruments. These Social Strategy Action Plans are to be an integral part of the PA Management Plans providing a social perspective to enhance and complement conservation activities. Social Strategy Actions Plans will be implemented through annual programs, agreed with local organizations through participatory mechanisms.

### **Institutional Arrangements and Participation**

The PA Law includes the creation of a Coordination Council comprising public organizations to coordinate sector policies and PAMCs to allow for stakeholder participation in PA management. PAMCs will establish mechanisms such as periodical consultation and public campaigns to promote an active participation in PA decision making. The project will strengthen PAMCs. Resources will target specifically indigenous and women organizations. Specifically, under sub-component 2.2, the project will help PAMCs to gain social recognition and legitimate their role in PA and to further promote stakeholder participation. (See budget table at the end of this annex).

The PA Management Service Provider in coordination with the NGO responsible for activities in buffer zones will prepare and implement Social Action Plans and for the monitoring and assessment of annual plans in close coordination with PAMC. This commitment will be incorporated in the TOR of the service management provider and the NGO in charge of project activities in buffer zones. The selection process will take into account in both cases technical capacity and experience to comply with this commitment.

INRENA will incorporate in its project's management team an experienced social scientist-gender specialist to ensure the compliance with the project's social strategy and to monitor and up-date social strategy action plans and to carry out annual programs assessments. PROFONANPE will include in each

semester report progress on action plan implementation.

### Social Strategy Budget

Social strategy budget is comprised in the project's general budget, therefore it is not an extra cost. The next table comprises a six year budget estimate for the above-described social strategy.

#### Social Strategy Budget (in \$ '000)

#### Social Strategy Budget (in \$ '000)

Component/ Social Strategy Activities	PF	IPDP	Gender	PPP	Total
<b>1. Participatory PA Management</b>					
<i>1.1. Preparation of Plans</i>					
Social action plan preparation				50	<b>50</b>
Social issues and impact studies				180	<b>180</b>
Consultation Process				60	<b>60</b>
<i>1.2. Management Plan Implementation</i>					
PPP(PAMC support)				121	<b>121</b>
Vulnerable groups participation		45	45		<b>90</b>
<i>1.3. Sustainable Economic Activities (SEA)</i>					
PF: Sustainable economic activities	1,350				<b>1,350</b>
SEA to benefit indigenous peoples		900			<b>900</b>
SEA to finance women initiatives			450		<b>450</b>
<b>2. Institutional Development</b>					
<i>2.1. Training and Technical Assistance</i>					
PF: Training and TA	595				<b>595</b>
Training and TA to benefit indigenous peoples		396			<b>396</b>
Training and TA to benefit women			198		<b>198</b>
<i>2.2. Capacity Building of Civil Society</i>					
NGO gender awareness capacity			20		<b>20</b>
Women org. strengthening and leadership			60		<b>60</b>
Indigenous Organizations Strengthening		80			<b>80</b>
<i>2.3. Public Awareness Program</i>					
Public participation promotion				50	<b>50</b>
<b>3. Project Financing, Administration, M&amp;E and Information Dissemination</b>					
<i>3.3. Project Implementation and M&amp;E</i>					
Monitoring (gender, indigenous, other)				7	<b>7</b>
Social staff capacity building				303	<b>303</b>
<i>3.4. Info Dissemination (lessons learned)</i>					
Social strategy experiences and exchanges				10	<b>10</b>
<b>TOTAL</b>	<b>1,945</b>	<b>1,421</b>	<b>773</b>	<b>781</b>	<b>4,920</b>

PF= Process Framework; IPDP = Indigenous Peoples Development Plan; PPP: Public Participation Promotion

## Process Framework

Peru has adopted a conservation policy based on the coexistence of people within PAs. Therefore, resettlement is not envisioned under the project. However, in exceptional cases, as in areas zoned for strict conservation, it might be necessary to change some damaging practices and limit the access to natural resources. Though this strategy is expected to have a long-term positive impact, both for community well-being as PA conservation, it is necessary to mitigate some short-term impacts. This process framework defines the procedures to address a possible social impact taking into account Peruvian laws and World Bank OP 4.12.

**Sustainable Economic Activities** When restrictions do occur, the project has adopted impact mitigation measures to re-establish, or improve if possible, pre-existent socio-economic conditions by financing sustainable economic activities and providing training, technical assistance and long-term support for its implementation in the following cases: (i) to promote preventive actions intended to reduce or eliminate threats and risks from non-sustainable practices in buffer zones targeting indigenous population, small farmers and other poor groups to replace these damaging practices; (ii) to contribute to poverty reduction in buffer zones by implementing rural development programs targeting small farmers and indigenous communities living in poverty conditions to stabilize the agriculture frontier thus reducing threats to PA; (iii) to minimize or avoid social impact from management plans that result in restrictions or access to resources traditionally used by local people.

The definition and adoption of restrictions will be agreed under a participatory approach with communities involved, taking into account their cultural diversity and socio-economic background. Traditional practices and legal rights of indigenous groups established in national laws, and international agreements will be fully respected to establish culturally compatible sustainable economic alternatives.

The strategy will ensure the full and equal participation of women in the planning and execution of the proposed rural development programs and small-scale projects, by incorporating a gender equity approach throughout the process framework implementation. Decisions about priorities and alternatives to address threats will be taken under a participatory approach with PAMCs. Members will receive training in environmental regulations, conservation practices, conflict resolution and monitoring.

INRENA will be responsible to comply with this framework in coordination with the PAMCs. The PA Management Services Provider's contract incorporates the commitment to lead the process framework, identify, design and reach agreements with communities and groups involved.

**Financing.** The project will finance impact assessment analysis, design and feasibility studies to carry out sustainable economic activities, comprising training and technical assistance. At least 30 % of the budget allocated to this type of activities (subcomponent 1.3) and a similar percentage of training and technical assistance (sub-components 2.1) are ear-marked for this.

**Monitoring and Evaluation** The project's M&E system includes process and outcome indicators to assess implementation and impact of sustainable economic activities, particularly to monitor re-establishment of socio-economic conditions of target population, recovery of protected resources and areas, and effectiveness in enforcing restrictions. INRENA will be responsible to monitor implementation and participation.

**Government Commitment.** Peruvian Protected Areas Law recognizes the right to compensate for limitation in access of use of natural resources establishing the legal basis to carry out this process framework (NPA Law, Art. 4). There is a commitment in INRENA and PROFONANPE to follow this framework to address restrictions when applicable and to promote instead sustainable activities.

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## Attachment B

### Indigenous Peoples Development Strategy

PA Law specifically establishes the obligation to consult and involve indigenous population in PA management. Bank OD 4.20 mandates that indigenous peoples participate and benefit from Bank operations. Accordingly, IPDPs have been prepared to address identified social issues and to comply with these regulations. See summary next, IPDPs are available in the project's files.

**Objectives.** The objectives of IPDPs are: (i) to guarantee legal and social rights of indigenous communities over land; (ii) to promote sustainable use of natural resources compatible with their cultural background; (iii) to promote a multicultural approach in the access and management of natural resources; and (iv) incorporate specific indicators regarding indigenous peoples participation in the project's M&E System.

*Legal Framework.* Peruvian Constitution recognizes the rights of indigenous population defined as "peasant communities" and "native communities". In 1993, Peru signed the OIT 169 Agreement regarding indigenous peoples rights to their territory, labor rights and other human rights. Several regulations protect their land rights and autonomy. PA regulation also includes several regulations to protect indigenous peoples rights and mechanisms to ensure that they participate and benefit from the project. This legal framework as well as the guidelines established in World Bank OD 4.20 Indigenous Peoples are the basis for this strategy.

*Base Line Data.* Socio-economic conditions and main social issues affecting indigenous population in PA have been identified during the social assessment and consultations carried out during project preparation including analyses of the socio-economic situation, cultural background and organizations.

*Land Tenure.* According to Peruvian regulations indigenous peoples rights are compatible with PA management and activities such as hunting are permitted for subsistence and traditional purposes. In two of the project PAs indigenous communities have titled lands while in other three they have titled land in buffer zones. The project will protect these rights and will support sustainable economic activities to ensure indigenous peoples livelihood while promoting conservation.

*Participation.* Initial consultations with indigenous organizations occurred during project preparation. IPDPs are the result of this process. The project will strengthen indigenous peoples organization to be able to actively participate in PA management and to participate in the PA Management Committees including transport and per diem, if necessary, to enable their participation. Project's budget ear-mark resources to finance indigenous peoples participation and to ensure they benefit from the project.

*Respect to culture and traditions.* The project will respect and promote traditional approaches to the

management of natural resources that have proven to be environmentally-friendly. Because most indigenous communities live in poverty or extreme poverty conditions, small-scale sustainable economic activities will target indigenous communities.

**Monitoring and Evaluation.** The project's monitoring and evaluation system includes indicators in its three components to track IPDPs implementation. Indigenous peoples representatives in the PAMC will be trained in monitoring and evaluation to directly participate in periodic evaluations. The social scientist-gender specialist in charge of the project's social strategy in INRENA will be responsible to overview IPDPs implementation.

**Action Plan.** Specific activities and budget to implement this Indigenous Peoples Strategy are to be found in PA annual plans.

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## Attachment C

### Gender Strategy

International experience indicates that incorporating a gender approach contributes to improve efficiency in conservation, increases sustainability, and has a positive impact on poverty reduction. A gender analysis is available in the project files.

The project will incorporate a gender equity strategy intended to: (a) reduce the gender gap by targeting both, men and women, according to their abilities and needs promoting their collaboration to achieve common conservation goals; (b) mainstream a gender approach in public institutions and civil society organizations participating in the project to minimize cultural and institutional obstacles that limit gender equity; and (c) better understand gender differences to improve efficiency in conservation strategy and throughout project implementation.

This gender strategy is threefold comprising specific activities towards: (i) communities and potential beneficiaries; (ii) civil society organizations; and (iii) public institutions.

**Communities and beneficiaries.** While cultural limitations prevent an equal participation of men and women, empiric evidence shows that promoting productive activities, in which women have a comparative advantage are well received by men and have positive outcomes empowering women. The success of these activities increases by providing training and technical assistance and promoting an innovative leadership among women and men. On the basis of these experiences the gender strategy comprises: (a) financing women's initiatives to ensure equal access to project benefits; (b) provision of gender differentiated training and technical assistance; and (c) strengthening leadership capacity from a gender perspective.

**Civil Society Organizations.** Women usually participate in organizations that accentuate traditional "women roles" reducing their possibilities of accessing income generating activities. More pro-active organization either lack a gender approach, or when gender-aware do not have the capacity to promote productive activities or conservation. To respond to this situation the project will incorporate incentives for civil society organizations to adopt a gender approach and provide training in the matter. Incentives will include: (i) conservation activities that benefit women; (ii) participating in cross-regional

experiences; and (iii) training.

**Public Institutions.** Although institutions in the project such as INRENA and PROFONANPE are sympathetic towards a gender approach, they do not have an institutional policy on gender nor specialized staff on the matter. Therefore, both institutions will adhere to the following gender equity guidelines: (a) INRENA will incorporate a social scientist-gender specialist responsible for fine tuning the project gender strategy to each PA conditions; (b) staff will be trained in practical methods to incorporate a gender equity approach in daily operations. This process comprises hiring female staff members to be responsible for relations with women organizations as required; (c) all processes such as consultant selection, training activities, work programs, etc. will incorporate a gender perspective; (d) information and data production will be gender-disaggregated in all processes to better track outputs and possible bias; (e) project reports will incorporate a section specifically addressing progress in gender strategy implementation; and (f) experience in gender will be taken into account in the selection of the PA Management Service Provider, which will also comply with above-defined guidelines in all its activities incorporating specialized personnel as required according to the situation of each PA.

**Monitoring and Evaluation.** Base line studies are to be prepared in each PA while specific indicators have been incorporated into the M&E System to track progress in this gender equity strategy.

**Financing.** Women organizations, leadership promotion and gender awareness campaign and training will be financed with resources from sub-components 2.2 and 2.3 while a 10% of subcomponents 1.3 and 2.1 will target women initiatives and women organizations.

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## Attachment D

### Protected Area Social Assessment Profiles

#### Huascarán National Park (HNP).

The dispute over the use and administration of tourism income is the main source of social conflict in the PA. Spurred by poverty, local communities dispute INRENA's right to charge for entering the PA; municipal authorities also claim to have rights to tourist-generated income. The fact that income is centrally managed and is not reinvested locally aggravates the conflict. INRENA lacks capacity to control tourism activities which increasingly represents a threat to the conservation of biodiversity. Of secondary importance is pressure stemming from poor farmers seeking land and using natural resources in the PA. There are also some positive trends led by some NGOs, community organizations and municipal authorities promoting a sustainable approach to continue tourism development without affecting the PA.

The main stakeholders in proximity to the PA are 39 Quechua peasant communities totalling some 300,000 inhabitants. Most live below the poverty line and are primarily dependent on cattle-raising, a major cause of overgrazing affecting the PA. In an effort to manage this issue, INRENA has organized 172 Natural Grass Users Committees, 58 within the PA. Tourism agents comprise another stakeholder group and range from urban entrepreneur to provider of small local services. They are the most influential actors due to their role in controlling the access and activities within the PA and failure to share income with local communities and lack of a conservation ethic. Several NGOs and municipalities

seeking sustainable alternatives and a share of tourism-derived income generation are becoming increasingly important actors.

HNP is characterized by a mix of legal rights comprising the lands of three titled peasant communities (Vicos, Aquia y Cashan); small owners with inheritance claims and no legalized titles (including workers of haciendas affected during the agrarian reform movement of the 1970s who received land as a compensation). There are also 79 mining concessions, of which 39 are entirely within the PA and 36 partially occupy an area of the HNP estimated to total 6,095 ha. The recent development of industrial mining within the area surrounding the PA might eventually have a negative impact.

#### Tambopata National Reserve (TNR) and Bahuaja Sonene National Park (Madre de Dios Sector)

The population living in proximity to TNR/BSNP lives under either poverty or extreme poverty conditions with few options available to ensure their survival. As a result unregulated extraction of wild plants and animals, and illegal logging are their main source of livelihood and also threat to the PA's biodiversity. Some animals such as the "huangana" and the "sábalo" are endangered by the overexploitation by indigenous E'ejas, that have changed their traditional fishing for self-consumption to fishing for the local markets. Fluvial mining along the Malinowski and Madre de Dios rivers (both legal and illegal), though outside the PA, causes environmental impact due to inadequate disposal of waste of oil and mercury and the removal of material from the bottom of the rivers. Castaña (Brazilian nuts) collectors, of which 80 groups have concessions to collect the nuts within the PA boundaries, are its main protectors. However, the market crisis of the product and a drop in market prices is seriously damaging the local economy.

This PA is characterized by several social groups with opposing interests. Eco-tourism entrepreneurs of all sizes including some indigenous communities, represent a privileged group to INRENA, engaged in what is considered to be an environmentally-friendly conservation activity. Small farmers and loggers, though willing to co-operate in conservation activities, need support to be able to implement sustainable alternatives and management plans. Castaña collectors comprise mainly former migrants and some indigenous communities who have developed approaches to sustainable use of natural resources, also consider themselves as "conservationists." The small gold miners in the rivers, are now integrated in the PA Management Committee and are willing to seek sustainable alternatives; WWF is helping in this effort. The real danger is the possible establishment of large mining firms, as has happened in other areas in Madre de Dios.

There are no land tenure conflicts in TNR/BSNP; in 2000 the regularization process was completed; small owners around Maldonado Lake and indigenous reserves have titles and lands outside the PA. There are however some claims by small farmers which would lead to a reduction in the size of buffer zones to enable them to expand their production activities. There are also disputes among indigenous communities, small mining concessionaires and large mining firms that claim rights over sub-soil minerals, all opposing environment impact requirements of INRENA.

#### National Park Bahuaja Sonene (Puno Sector).

Over the last two decades, NPBS has been affected by waves of colonisation of farmers arriving from Cuzco and Puno seeking new lands and economic opportunities. These groups settled in two areas before the PA was created: Colorado Sector, and the Inambari River catchment. These *colonos* have destroyed natural flora and fauna by opening land for cultivation. The discovery of gold in the Inambari River has contributed to further in-migration of *colonos* to exploit gold. Finally, there are unconfirmed reports of so called "non-contacted" indigenous groups, which are likely to represent a small number of

indigenous families who for social and historical reasons have decided to isolate themselves from contact with outsiders. Their rights are protected under Peruvian regulations.

The Andean *colonos* are mainly poor peasants who instead of addressing soil deterioration caused by inadequate agricultural practices, occupy new lands; in the last year this process has become transformed into the speculation of lands that are not used for productive purposes. The gold miners of this area are not well organized and are less sensitive toward conservation than their counterparts found elsewhere in Peru (e.g., Madre de Dios). Two indigenous organizations, FENAMAD and AIDSESEP are involved in protecting the rights of the “non contacted indigenous people”

There are no land ownership issues within this PA as most conflicts are outside of its boundaries. Indigenous reserves are titled outside the PA though the people enter PA lands to collect and hunt; these activities that used to be for subsistence purpose and compatible with conservation efforts, now under the pressure of additional needs and market pressures need to be regulated. There are eight “castaña” concessionaires within the PA but they appear to support conservation efforts. There are 228 families who claim land rights within the PA, though only one is actually inside. *In situ* verification of these claims is an on-going process to certify if property rights existed prior to the creation of NPBS .

#### Salinas & Aguada Blanca National Reserve (SABNR).

The Yura-Santa Lucia road, in its final stage of construction in 2001, has resulted in several social and environmental impacts. Construction destroyed the “bofedales”, (small water reservoirs) which were the main source of water for cattle, the latter the principal source of income of local families. The possible construction of a small dam to generate electricity for Arequipa, presently under study might also result in further damage. Adequate social and environmental impact studies and compensation for loss of land associated with road construction are critical. Another source of natural deterioration, closely related to poverty conditions, is the over-exploitation of “tola” a wild plant used to produce charcoal.

Peasant communities of Collahua ancestry represent a major stakeholder in the SABNR area of influence. Though under external pressures, they still maintain their traditions based on the rearing of alpacas and vicuñas and the use of wild herbs for medical purposes. The replacement of alpaca and vicuña for sheep is having a negative impact on soils and grasses. Some communities also collect “tola” for charcoal for the bakeries in Arequipa. Urban growth of Arequipa, one of the most important cities in Peru is having a negative albeit indirect influence on this PA; the location of solid waste dump sites are already reaching its boundaries.

The north side of SABNR is occupied by small farmers, comprising 2,700 inhabitants sharing 728 family houses. In the south, there are 12 indigenous communities who for centuries have occupied those lands, however, their properties have not been surveyed and there are some disputes with private land owners and the legal titling of their ancestral lands has yet to be completed. Overall, both private and communal lands total 312,141 ha, which represent 92% of the PA’s land of 360,000 ha. Finally, there are 23 mining concessions, which were granted before the PA was created which are still in use.

#### Manglares de Tumbes National Sanctuary (MTNS).

The main source of environmental degradation in MTNS is associated with the shrimp pond development and production. The initial boom resulted in the illegal occupation of 63 ha of land within the PA. The subsequent economic bust contributed to increased poverty in the surrounding areas and additional pressure on the PA itself. Contradictory policies among two public sector ministries have further

exacerbated the situation. While the Fishery Ministry continues to promote new pond development, INRENA opposes these efforts. Recently, some NGOs such as Pro Naturaleza and ASEPROH have succeeded in a process to rehabilitate degraded lands in association with local communities and re-introduce traditional species (black shells).

The cultural patterns of the MTNS area of influence have changed over the recent years due to increased in-migration of people who do not share the values of the local communities. Presently the big prawn entrepreneurs, who have rights over 8, 580 ha, are one of the major actors and likely to affect the future of the PA as they intend to develop fishing activities with external species (Tilapia) without assessing its impact. There is also a large number of people located in isolated areas (El Bendito) who extract resources illegally from the PA. Local communities are dominated by small farmers carrying out subsistence agriculture. Though they live outside the PA, poverty and lack of alternatives in the region force them to occupy and/or develop activities in the PA.

The three main actors in the MTNS area have legal rights over portions of this PA's territory (i) three prawn firms (around 100 ha among the three); (ii) the Peruvian Navy with 1,879 ha; and (iii) INRENA with 1,026 ha that represent around 34% of the total area. The area dedicated to prawn ponds in total is an estimated 8,636 ha. The lack of co-ordination among the actors involved is a serious threat to the long-term sustainability of this PA.

**Additional Annex 14**  
**Institutional Analysis and Implementation Arrangements**  
**PERU: Participatory Management of Protected Areas**

**Institutional Analysis**

The institutional analysis is divided into a brief summary of the two major national stakeholders (INRENA and PROFONANPE) and summary accounts of the PAMCs and their potential constituent local institutions evaluated through a detailed stakeholder analysis completed during project preparation. A more detailed account exists in the project files.

**INRENA**, a semi-autonomous agency under the Ministry of Agriculture (MOA), is Peru's lead public agency responsible for the management and sustainable use of the country's renewable natural resources. Under its *Ley Organica* (DL 25901), INRENA which operates at the central, regional and local levels, administers SINANPE through the General Directorate of Protected Areas (DGANP) whose main functions include: (i) financing PAs, (ii) strategic sectoral planning, (iii) policy making, (iv) monitoring and supervision, and (v) public dissemination of PA-relevant information. The principal financing sources for SINANPE are public funds and grants, the latter supported through multi- and bi-lateral assistance organisations and non-government organisations (NGOs). The major sources of public funds are: the government treasury (including government counterpart requirements associated with relevant internationally-financed loans and grants) and debt swaps. At the national level, INRENA manages SINANPE's activities within the framework of a national strategic plan (*Plan Director del SINANPE*). Each PA is managed through strategic management plans (*Plan maestro*) and resources management and public use plans. PA-specific activities are implemented through Annual Operating Plans.

While the institutional responsibilities of INRENA/DGANP in relation to the management of SINANPE are clear their implementation have been less than effective. Major factors cited for these inefficiencies include: (i) the absence of detailed strategic planning; (ii) the recent rapid expansion of SINANPE and the accompanying logistical demands associated with managing the many new and barely accessible PAs; (iii) human and financial resource constraints; and (iv) poor information systems. In an on-going dutch-supported institutional assessment and modernization study of INRENA, a number of options are currently being considered to address these institutional weaknesses. These include: (i) creation of technical unit within a new *macro-superintendencia* responsible for natural resources that reports directly to the President of the Council of Ministers; (ii) creation of an autonomous entity responsible for biodiversity conservation (*superintendencia*) similar to the US National Park Service; and (iii) strengthening the existing institution. While supporting institutional changes at the level of INRENA is beyond the scope of the present project, INRENA and SINANPE will be strengthened through the project by supporting a greater but complementary role for the private sector and civil society in the management of PAs (sub-component 1.2) and increasing DGNAPs and local PA administrators ability to manage these new roles (sub-component 2.1).

**PROFONANPE**, created in 1992 to administer the National Fund for Protected Areas (FONANPE), this quasi public-private entity currently channels financing to SINANPE from both multilateral (GEF) and bilateral organizations (e.g., CIDA, KFW, Holland, Finland). In its ten years of existence, PROFONANPE has channeled US\$28 million to finance the recurrent and capital costs of selected PAs' and capacity building at all institutional levels of SINANPE. PROFONANPE's success is in part due to following the norms of good corporate governance and creating and implementing a range of fund raising instruments. PROFONANPE has an independent management (general director) in charge of day-to-day administration, reporting to a Board of Directors whose members have a two-year tenure. The

Board of Directors includes three representatives of INRENA (including the Chief Executive Officer, who presides over the Board), three representatives of environmental NGOs, and one representative of the international community (in its capacity as provider of technical and financial assistance). Through this management independence and its coherent financial management and information practices, PROFONANPE has gained the confidence of the international community. The fund raising instruments developed by PROFONANPE include: grants, debt for nature swaps, endowment funds, sinking funds and financial income from the administration of the endowment fund formed with a previous GEF grant. The formulation and implementation of the SINANPE financing strategy as well as the contracting of a specialized agent to raise additional funds to support the System will ensure long-term financial sustainability.

Despite these strengths, PROFONANPE needs to address a number of issues identified in a recent independent external evaluation. These include: (i) a weak strategic framework; (ii) a sometimes cumbersome decision making process; (iii) a rigid institutional framework that impedes institutional change required to support its growth; and (iv) the need to diversify the number of recipients receiving PROFONANPE funds. Fortunately, many of these issues are already being addressed. Moreover, the project will strengthen PROFONANPE through activities under Project components 2 and 3.

**PAMCS.** As noted above, there is a clear need for INRENA to involve additional local partners in a collaborative approach to manage the country's national protected areas. Created in the *reglamento* of the *Ley de Areas Naturales Protegidas* (*Ley* no. 26834), Protected Area Management Committees (*Comités de Gestión*) represent a new institutional mechanism created to support this approach. PAMCs which are primarily advisory and co-ordinative in nature, would be responsible for: (i) collaborating and supporting the management of the PA; (ii) promoting and co-ordinating the participation of other institutions and entities in PA management and administration; and (iii) supporting the DGNAP administration in biodiversity conservation, development of participative processes, and conflict management of the PA. One key task of the PAMCs is to supervise contractors compliance with administrative and related PA contracts and agreements associated with the management and/or provision of services in the PA. Moreover, while the previously cited *reglamento* does not specify a role for PAMCs in buffer zones, it does not prevent them from providing a co-ordinating role between activities supported in the PA core area and buffer zones, respectively; a complementary responsibility supported under the present project. Through the PAMC mechanism local institutions and individuals will become involved as active participating stakeholders in each PA. Likely members will include representatives from local governments, non-governmental organizations (NGOs), community-based organizations, civil society, and the private sector. At present, PAMCs are a new entity and only a few are functioning. The major outputs of the project will be strengthening of these PAMCs.

**Local institutions** were evaluated through a stakeholder analysis completed during project preparation. A detailed description of the analysis is in the project files.

The key non-public institutions identified and evaluated in proximity to the project's PAs include the following:

NGOs play a number of important roles in PA management. These include: as main decision-makers on PROFONANPE's Board of Directors; (ii) vehicles for technical expertise in PA management; and (iii) promoters for biodiversity conservation and protection of indigenous peoples and local communities rights.

Civil society organizations play a broader role than most NGOs, including facilitating the transfer of technical expertise as well as the development of PA policy concepts and implementation. Typically, their focus is on the implementation of specific PA management tasks, using local resources (mostly labor), and presenting cost-effective alternatives to implement project tasks.

Private sector agents have specific interests in development activities associated with PAs that on occasion may conflict with PA management objectives. Private sector companies normally work under licenses issued by sector ministries other than the Ministry of Agriculture or INRENA. Those licenses sometimes date from before the creation of the PA, which can present legal conflicts with present PA objectives.

Indigenous peoples. Five of the 6 PAs proposed for support under the project have indigenous peoples with legal or customary land rights within their respective core areas. Indigenous peoples' interests are often not easy to assess and taken into account in the PAs' management. In response, an Indigenous Peoples Development Strategy (IPDS) was developed (see Annex 13 for more detail).

In addition to INRENA, key public institutions identified in one or more of the project's PAs include:

Mainline ministries with local interests, which need to be taken into account during the PA management plan preparation process. These include: the Ministry of Fisheries (issuing shrimp farming permits in MTNS); the Ministry of Energy and Mines (concession permitting for mining in NRTC and BSNP); and the Navy (MTNS).

Local public institutions represented primarily by local municipalities are typically responsible for local development and management (including matters associated with environmental planning and management.)

As described above, project support for the strengthening of existing and creation of new PAMCs, will be the primary mechanism to facilitate the necessary co-ordination and participation of these varying and possible conflicting sets of institutional interests located in proximity to the 6 PAs.

## **Implementation Arrangements**

PROFONANPE will be the recipient of the GEF Grant. INRENA will implement all activities related to the management of PAs as well as its own institutional strengthening activities (training, TA and MIS). All other activities will be subcontracted by PROFONANPE to the private sector and civil society.

Project implementation requires a framework agreement detailing the implementation arrangements between INRENA and PROFONANPE. The present draft framework agreement (reviewed by the Bank during appraisal) clearly defines the roles and responsibilities of both institutions under the project.

The framework agreement stipulates the responsibilities of INRENA to: (i) prepare terms of reference for technical studies and carry out quality control of the studies; (ii) subcontract PA management to the private sector in accordance with the legal framework and World Bank guidelines; (iii) use a participatory and gender equitable approach to PA planning and management; (iv) monitor the technical implementation of the management services and other contracts related to PAs; and (v) comply with the Bank requirements for environment, social development, indigenous peoples and other safeguards in the management of the Project PAs.

The role of PROFONANPE is one of a financing agency. It will pay: (i) consultants and service providers contracted by INRENA to carry out studies and providing management and other services to INRENA and the PAs; (ii) works contractors and suppliers; (iii) contract consultants and NGOs to carry out activities in the buffer zones (in co-ordination with INRENA) under components 1.3, 2.2, 2.3 and component 3, where INRENA is not competent. An initial agreement between PROFONANPE and INRENA for the administration of the Indigenous Management of Protected Areas in the Peruvian Amazon project is already under implementation.

This project presents a unique opportunity for INRENA and PROFONANPE to consolidate their relationship and contribute to the successful implementation of INRENA's core institutional functions. Since the role of both institutions has been evolving over time and to ensure that the above arrangements fit within a long-term strategic view of the management of PAs, a long-term institutional study to define the roles of both institutions in the management of SINANPE will be prepared under the Project.

PROFONANPE's Board of Directors will provide overall guidance and supervision to the project. A project-specific Administrative Board (*Junta de Administración*) including one representative of INRENA, one of PROFONANPE, one of the Dutch Government (observer) and one representative of the PAMCs on a rotation basis will be established and will meet at least twice per year to review project progress and reports and to review and approve the annual work plans and audits.

A project director will be responsible for the day-to-day operations and a part-time external advisor will advise on financial investment options. The project director will report to the PROFONANPE executive director. The project director will meet regularly every two months with a consultative committee of PA chiefs and PAMC representatives to ensure that field experience is reflected back into the work plans and to smooth out operational difficulties. PROFONANPE will recruit a procurement specialist to assist the various actors involved in project execution with procurement issues and related Bank rules and procedures. An environmental or biodiversity specialist will ensure the quality of the activities financed by PROFONANPE under the project as well as compliance with World Bank environmental guidelines. PROFONANPE's existing administrative structure will support project implementation.

The PA management service providers will be contracted by INRENA according to its own procedures and compatible with World Bank guidelines. The INRENA evaluation criteria for management service providers do include experience in PA involvement, qualifications of staff, alliances with local and international institutions and a financial contribution of the service provider to the management of PAs (Resolution No. 270). For these management service contracts to become eligible for financing under the Project the evaluation criteria should also contain criteria such as the quality of the management proposal, a strategy for financial sustainability of the PA and a cost element.

In the stakeholder analysis the following non-profit organizations were identified as likely candidate institutions expected to submit technical proposals to be considered in the selection of administrative contracts: *Instituto de Montana*, *Instituto Kuntur de Investigación y Desarrollo Andino*, and CARE (PN Huascarán); DESCO and *Asociación para la Conservación de la Naturales* (RN Salinas y Aguada Blanca); *Conservación Internacional*, *ProNaturaleza*, WWF, *Centro EORI*, and THREES (RN de Tambopata); *Conservación Internacional*, *Asociación para la Conservación de la Cuenca Amazonica* and *ProNaturaleza*, *Centro EORI*, THREES, and WWF (PN Bahuaja Sonene); and *ProNaturaleza* and ACETTUM (*SN los Manglares de Tumbes*). In addition, there are a number of smaller more activity/issue specific NGOs which have been identified in each of the project-supported PAs which are likely to team with the previously identified institutions.

A specialized agency (NGO or company to be recruited) will manage the sustainable economic initiatives program. This includes the evaluation of the proposals to be financed with civil society and private sector organizations as well as the administration of the program itself. The terms of reference of the specialized agency includes clearance of the environmental assessment and mitigation of the proposed initiatives. PROFONANPE will provide guidelines for evaluation of programs and small projects executed by civil society organizations. These guidelines will be similar to the ones that have been developed under the Indigenous Management of Protected Areas in the Peruvian Amazon Project.

## Additional Annex 15 Implementation Plan PERU: Participatory Management of Protected Areas

### Participative Management of Protected Areas Draft Project Implementation Plan

	US\$	2002		2003												2004											2005											2006											2007											2008																	
	Resp	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	8	9	10	11							
<b>1. Participatory Protected Area Management</b>																																																																													
1.1 Preparation/updating of Plans	1.25																																																																												
Preparation of Bidding Packages for preparation of Master and Management Plans	PT																																																																												
Tendering of preparation of studies and plans	PT																																																																												
Implementation of studies for plans	PT																																																																												
Updating of SINANPE Master Plan (Plan Director)	INR																																																																												
Institutional Study INRENA/PROFONANPE	PS																																																																												
1.2 Plan Implementation	5.00																																																																												
Preparation of bidding documents for PA Management Contracts	EP																																																																												
Approval of INRENA's Resolution 270 rules for selection of PA management contracts	INR																																																																												
Tendering of Administration Contracts	INR/PT																																																																												
Negotiation of Administration Contracts for selected PAs	INR/PT																																																																												
Implementation of PA Administration Contracts	NGO																																																																												
Implementation of other contracts in PAs	NGO																																																																												
1.3 Sustainable Economic Activities	4.50																																																																												
TORs for hiring of NGO to design and implement program	PT/AT																																																																												
Preparation of Program Implementation Plan	NGO																																																																												
Program Implementation	NGO																																																																												
Preparation/updating Annual Implementation plan	NGO																																																																												
<b>2. Institutional Development</b>																																																																													
2.1 Technical Assistance and Training	1.99																																																																												
Implementation of INRENA Institutional Re-engineering	INR																																																																												
Contracting staff of INRENA (2)	PRF																																																																												
Implementation of INRENA institutional strengthening	PT																																																																												
Hiring of PROFONANPE support team	PT																																																																												
2.2 Capacity Building PAMCs and Civil Society	0.80																																																																												
Preparation of Civil Society/PAMC capacity building program																																																																													
Definition of PAMC organization models																																																																													
Recruitment of capacity building agency																																																																													
Implementation capacity building program																																																																													
2.3. Biodiversity Conservation Public Awareness program	0.50																																																																												
Public Awareness strategy prepared																																																																													
Recruitment of program implementation agency																																																																													
Implementation of public awareness campaign																																																																													
2.4. Design and implementation of Management Information Sys	0.50																																																																												
Preparation of bidding document for the MIS																																																																													
Tendering of the contract for the implementation of MIS																																																																													
MIS implementation																																																																													

Project Implementation Plan (continues)

	US\$	2002		2003												2004												2005												2006												2007												2008											
		Resp	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11
<b>3. PA financing, Project Administration, M&amp;E, and Information Dissemination</b>																																																																											
3.1 Increase of Endowment Fund	3.09																																																																										
Payment of Finnish contribution to Endowment Fund (2.5)	PRF																																																																										
Payment of GEF contribution to Endowment Fund (2.5 M)	PRF			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Payment of PROFONANPE contribution to Endowment Fund	PRF															1	2	3	4	5	6	7	8	9	10	11	12																																																
Payment of FGFE contribution to Endowment Fund (0.5 Millio	PRF																											1	2	3	4	5	6	7	8	9	10	11	12																																				
3.2 Financing Strategy	0.30																																																																										
Studies to formulate PAs Financing Strategy	PT/INR			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Preparation of PAs Financing Strategy	INR			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Implementation of Financing Strategy	INR																																																																										
3.3 Establishment of the Project Implementation Unit and M&E S	1.38																																																																										
Hiring of Project Team	PRF			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Establishment of the Project Board	PRF			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Preparation of detailed Project Implementation Plan	PRF			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Update First Year Procurement Plan	PRF			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Design of Project Monitoring and Evaluation System	PT			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Implementation Monitoring and Evaluation System	PT			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Implementation of Biodiversity M&E system	INR																																																																										
Preparation of Operating Annual Plan	PT			1	2	3	4	5	6	7	8	9	10	11	12																																																												
Presentation of PROFONANPE's Strategic Plan	PRF			1	2	3	4	5	6	7	8	9	10	11	12																																																												
INRENA/PROFONANPE Project Framework Agreement																																																																											
Draft agreement presented/discussed																																																																											
Framework Agreement Signed																																																																											
Hiring of PROFONANPE fund raising specialist																																																																											
C3. Information Dissemination	0.12																																																																										
Preparation of Dissemination and Information Plan	PT																																																																										
Implementation of Dissemination and Information Plan	PT																																																																										

## **Additional Annex 16: Endowment Fund Asset Management Strategy PERU: Participatory Management of Protected Areas**

The project endowment fund will be governed by the policies and procedures currently implemented in PROFONANPE's overall portfolio. This portfolio includes the first endowment fund established with a 1995 GEF grant (for the amount of 3.5 million SDRs, now valued at US\$5.4 million) through the *National Trust Fund for Protected Areas* Project (TF028656), the 1994 Canadian endowment fund (US\$0.3 million), the 1994 German sinking fund (US\$6.0 million), two German mixed funds (sinking + endowment) in 1999 (US\$1.9 million each one) and a mixed fund with the 1995 Finnish debt for nature swap (US\$6.1 million).

Given the results achieved by the first GEF grant (see Attachment A), PROFONANPE will implement a similar strategy for this fund, i.e. retaining the same local Asset Manager and identifying an investment structure that pools purchases in both the local and international markets, as detailed below.

**Investment strategy.** The project's portfolio investments will adopt a moderate risk strategy of portfolio diversification so that 25% of the investment portfolio will be comprised of foreign equity investment instruments purchased in non-emerging markets. The remaining 75% will be invested in fixed income instruments, 50% of which will be purchased in the local market and the other 50% in non-emerging foreign markets.

PROFONANPE specific investment guidelines for fixed income instruments (including bonds, commercial paper and bank certificates) require purchasing risk I and II grade papers. Neither of these instruments shall exceed 30% of the total portfolio value. Equity instruments will be purchased exclusively through investments in blue-chip grade stock. Attachment B provides an account of the investment strategy to be applied.

**Asset Manager Services.** *Banco Internacional del Perú S.A.A.-Interbank* has been retained as PROFONANPE's Asset Manager. This financial entity has managed GEF's first endowment since August 18, 1995. Interbank services were hired by PROFONANPE after a call for bids to Peru's six highest ranking banking institutions. This selection procedure was accepted by the World Bank. Under this project, a "*Trusteeship Contract*" (Contrato de Comisión de Confianza), whereby the Asset Manager makes investment decisions on behalf of PROFONANPE will be signed. Interbank will record and keep separate accounts for portfolio transactions and yields.

Both a general strategy and specific guidelines for investments, in addition to all safeguards required to ensure diligent investment portfolio management, will be included in the Contract. Among the main safeguard clauses are those holding Interbank responsible for any unilateral changes in the agreed upon investment strategy and specific guidelines; and for reimbursing to PROFONANPE any damages that may be attributed to the Asset Manager; as well as for unauthorized use of the portfolio's financial resources, and the subsequent immediate reimbursement to PROFONANPE without need of court proceedings. A specimen contract approved by the World Bank in 1995 is kept in the PROFONANPE Project Files.

The contract explicitly determines the fees corresponding to portfolio management and stock brokerage. At present, Interbank charges PROFONANPE a management fee equivalent to 0.675% annually on the portfolio's final value, a 0.01% brokerage fee for purchases and sales of fixed income instruments, and 0.3% for equity stock purchases.

**Monitoring of investment portfolio.** PROFONANPE's present *Financial Committee* will be in charge of monitoring of the endowment fund. This Committee contains: a member of PROFONANPE's Board of Directors (presently a representative of the Ministry of Economy and Finance), PROFONANPE's Executive Director, the Head of PROFONANPE's Operations Department, and the External Financial Advisor.

PROFONANPE's Operations Department will be in charge of day-to-day follow up. This Department will receive financial reports from the Asset Manager and other sources of information (with the latter concerning particularly stock market fluctuations). In compliance with contract specifications and concerning portfolio transactions, the Asset Manager will submit to PROFONANPE within the first seven days after the end of each month, a detailed Monthly Report covering all portfolio transactions. This report will detail all purchases and sales, the corresponding monthly yield ratios, the year-over-year yield, the yearly-adjusted cumulative yield, and the yearly adjusted cumulative yield since the beginning of operations. Likewise, these reports will mention the portfolio's final value for the corresponding months and a detailed account of withdrawals incurred for project financing. Furthermore, the Operations Department will receive daily, weekly and monthly electronic reports on the main local and world economic and financial developments, a summary version of which will be distributed among members of the *Financial Committee*.

For purposes of ongoing follow up, the monthly financial report prepared by the Asset Manager will be distributed among all members of the *Financial Committee* to be thoroughly reviewed before their scheduled monthly meeting. In addition, at this meeting, the External Financial Advisor, accepted by the World Bank in 1997, will submit his professional opinion based on which the Committee may issue its remarks to the Asset Manager, as appropriate. Regular quarterly meetings will be scheduled between the Financial Committee and the Asset Manager. Nevertheless, if so required and at the Committee's request, they may hold extraordinary meetings. Attachment C outlines the basic contents of the Monthly Report required from the Asset Manager.

Additionally, an annual audit report including the analysis of the portfolio's management will be submitted to the Board of Directors by the external independent auditing firm hired by PROFONANPE.

**Attachment A**

**Yields of the GEF Endowment Fund**

	1996	1997	1998	1999	2000	2001	2002
Portfolio Value in US\$ million	5.224	5.962	6.101	5.223	5.371	5.558	5.506
Investment income on a yearly basis (%)	17.60	9.20	-5.40	2.30	8.57	5.77	5.63

**Strategy and specific guidelines for investments.**

**General Investment Strategy .**

<b>Instruments</b>	<b>Percentage of portfolio</b>
<b>Variable Income</b> of which	<b>25%</b>
National	0%
Foreign	100%
<b>Fixed Interest</b> of which	<b>75%</b>
National	50%
Foreign	50%

**Specific Investment Guidelines**

- Stocks: World Blue chips.
- Bonds: risk category I and II (category II bonds to a maximum of 30% of bonds)
- Commercial notes: risk category I and II (category II Commercial Notes up to a max. 30% of commercial notes portfolio)
- Deposits in Peruvian principal banks.
- Bank certificates of deposit in Peruvian principal banks.
- Commercial instruments of environmentally friendly companies
- International investments: only in the USA, Canada, Japan and EU-countries
- Other instruments of similar risks to those mentioned above.
- Short-term Mutual Funds in Dollars.
- The portfolio diversification rules restrict investments to a maximum 20% in financial instruments of the same issuer.

Any variation in the investment guidelines and policies, must be approved in writing, by PROFONANPE.

## Additional Annex 17: Financial Gap Analysis and Follow-up Strategy PERU: Participatory Management of Protected Areas

### Background

The objective of the Financial Gap Analysis of Peru's National Protected Area System (SINANPE) was to ascertain if there is sufficient funding to support the sustainable management of Peru's national system of protected areas over the medium to long-term. The analysis assessed demand (existing and projected investment and recurrent costs to support SINANPE) and supply (identified and existing and projected funding) to cover these costs and attempted to determine if a gap exists between the two. If a deficit was found to exist, secondary objectives of the analysis were to: (i) identify potential under- or non-utilised financing mechanisms relevant to Peru, and (ii) prepare an approach leading to the development of a SINANPE Financing Strategy to be supported under the project.

### Results of the Study

#### Supply

In the base year, SINANPE's estimated funding level was US\$ 6.25 million (Table 1). The main sources are public funds and grants, the latter supported through multi- and bi-lateral assistance organizations and NGOs. The major sources of public funds are: the government treasury (including government counterpart requirements associated with relevant internationally-financed loans and grants), PA generated revenue (concession and entrance fees and research and photography permits), and debt swaps. In aggregate, public funding represented US\$ 2.23 million or approximately 36 % of the SINANPE's total funding in the year 2000. The percent of debt swap financing is projected to increase significantly with the recent agreements with Canada, Germany and the USA. Grant funding accounted for approximately 64% of SINANPE funding of which bi-lateral funding was the major source (36 %).

**Table 1. Sources of Financial Support Administered by INRENA for SINANPE (2000)**

Source	Amount (US\$)	Percentage of Total
<b>Public Funds</b>		
Treasury	247,799	4.0
PA-generated revenue	534,418	8.5
Debt purchase	1,448,879	23.2
Subtotal	2,231,096	35.7
<b>Grants</b>		
Bi-lateral Funds	2,266,882	36.3
Multi-lateral Sources	648,830	10.4
NGOs	1,100,433	17.6
Subtotal	4,016,145	64.3
<b>Totals</b>	<b>6,247,241</b>	<b>100</b>

Thirty-eight PAs were identified as receiving funding in 2000. Of these, 7 PAs received US \$ 400,000 or more of the identifiable funding accounting for 64% of all PA funding (Manu, Huascarán, Yanachaga-Chemillén, Bahuaja-Sonene, Paracas, Pacaya-Samiria, and Machupicchu). Sixteen PAs received no funds, a figure which increases to 39 if areas receiving less than US\$100,000 were included.

Buffer zone activities were estimated to account for US\$1.3 million (21%) of estimated SINANPE funding leaving US\$4.93 million for core areas. Of the latter figure, recurrent costs exceed the resources that went into new equipment and infrastructure by a factor of 7. The highest cost category was salaries (US\$1.87 million or about 30% of the total). Resources available for training and supporting management committees represented 3 and 1% of total funding, respectively.

A projection of funding levels based on existing and identified likely future sources of funds for the ten-year planning period was estimated to be US\$66 million. The pattern of allocation appeared to be highly bi-modal. Relatively substantial levels of funding (defined as exceeding US\$2 million) were projected for 10 PAs, most of which are either national parks or reserves. Twelve PAs remained without any sources of funding, a number that increases to 18 by including PAs projected to receive US\$200,000 or less over the next years, a disproportionate number representing Peru's reserved zones, protected forests, community reserves, and hunting refuges.

### **Demand**

For the base year (2000), the number of PAs classified as Category II (capable of supporting basic conservation objectives) and Category III (support basic visitor services and public participation in management processes) were 11 and 4, respectively. A total of 39 PAs were identified as receiving little (defined as less than US\$100,000) to no funding and failed to meet minimal criteria and were classified as Category I PAs (i.e., not capable of achieving basic biodiversity conservation objectives).

The costs associated with shifting SINANPE and the present status of its constituent PAs to a System characterized as one where basic visitor and community outreach services could be provided in 40 of the country's 54 PAs and biodiversity conservation would be assured in all PAs was projected to be US\$95.5 million (approximately US\$ 9.5 million/year).

### **GAP Analysis**

Based on a comparison of supply and demand projected over a ten-year planning period, a net deficit of US\$29.5 million was estimated. These projections indicated that 43 PAs had funding gaps at the end of the period and, in the absence of securing additional funding, would be unlikely to achieve Category III (13 PAs) or Category II status (11 PAs). Conversely, there also were a number of PAs with budget surpluses (i.e., funding above what was estimated as needed to reach Category III development status).

A conservative estimate of 6% return on the funds obtained through debt purchase and administered by PROFONANPE (National Fund for Natural Protected Areas of the State) produce a revenue stream of approximately US\$2 million which over the period planning period would accumulate to approximately US\$14 million (Table 2). This would increase to US\$2.8 million if other sources of public funds were included and remained at recent levels. This contrasts with an average annual demand (based on the demand analysis) of approximately US\$9.5 million, or a short fall of US\$6.7 million, annually. This implies that the funding for much of the system will remain dependent on less stable foreign sources of funding for the foreseeable future.

**Table 2. Existing and Projected Permanent Endowment Funds Supporting SINANPE**

Source	Type of Fund	Capital Basis (millions, US\$)	Estimated Annual Revenue ('000 US\$) <sup>1</sup>	Estimated Revenue Generated 2000 – 2010 ('000 US\$) <sup>2</sup>
GEF I	Endowment Fund	5.20	312	3,120.0
GEF II (partial)	Endowment Fund	3.1	186	1,112.0
Canada Debt Purchase	Endowment Fund	0.35	21	.2
Finnish Debt Purchase	Sinking + Endowment Fund	6.0	360	2,520.0
German Debt Purchase (FCR)	Sinking Fund	6.09	314	3.1
German Debt Purchase (SINANPE II)	Sinking + Endowment Fund	1.99	119	1,071.0
German Debt Purchase (Alto Mayo)	Sinking + Endowment Fund	1.99	119	1,071.0
USA		10.6	636	5,088.0
<b>Totals</b>		21.62	2,067	13,985.3

<sup>1</sup> Assumes 6% return.

<sup>2</sup> Accumulated projections based from year fund was established.

### Existing and Potential Funding Mechanisms of SINANPE

INRENA benefits from the use of a number of conventional funding mechanisms to support its protected area system (Table 3). However, as demonstrated in Table 1, over 64% depends on foreign grants. Another 23% is represented by debt purchase which are administered by PROFONANPE. There exist a number of other financial mechanisms for PA financing which have yet to be adopted in Peru.

**Table 3. Checklist of Common Funding Mechanisms for Protected Areas<sup>1</sup>**

Funding Mechanism	Used in Peru
<b>International Sources</b>	
Multilateral Banks,	x
GEF	x
Bi-lateral agencies	x
International foundations	x
International NGOs	x
<b>National-level Mechanisms</b>	
Taxes, levies, surcharges, etc.	-
Tax deduction schemes	-
Grants from private foundations	x
National environmental funds	x
Debt purchase/swaps	x
National/provincial lotteries	-
Public-good service payments	-
Workplace donation schemes	-
<b>Site-level Mechanisms</b>	
User fees	x
Cause-related marketing	-
Adoption programmes	-

Corporate donations	-
Individual donations	-
Planned giving	-
Site memberships (“friends” schemes)	-

<sup>1</sup> Source: Phillips, A (ed), 2000. Financing Protected Areas Guidelines for Protected Area Managers, IUCN Best Practice Protected Area Guidelines Series No. 5 (IUCN, Gland).

### Financial Management Strategy for SINANPE

Peru needs to adopt a more strategic approach to ensure the eventual financial sustainability of the country’s national system of protected areas. The major elements of the Strategy to be supported under sub-component 3.3 of the Participatory Management of Protected Areas Project are: (i) studies, (ii) pilot testing, and (iii) strategy formulation.

Element	Unit Cost (US\$, 000)	Number of Units	Total Cost (US\$,000)
<u>Studies</u>			
Legal/policy constraints analysis	15	1	15
Financial administration	15	1	15
Financial mechanism evaluation	15	1	15
Evaluation of PA financial need	20	1	20
Subtotal			65
<u>Pilot testing</u> <sup>1</sup>	10	5	50
<u>Strategy Formulation</u>			
Creation/support of task force	5	1	5
Workshops	5	8	40
Technical assistance (local pm)	5	12	60
Technical assistance (international pm)	15	5	75
Subtotal			180
<u>Contingency</u>			5
Total			300

<sup>1</sup> Assumes PA-specific financial management plans will be supported under component 1.1

Inputs would be scheduled over the first 2.5 years of the project. A draft strategy would be formulated in parallel and co-ordinated with the preparation of a new Plan Director to be supported under the project and completed midway through PY3. The Gap Analysis and Draft Terms of Reference of the financing strategy are in the project files.

