

Child Project Concept Note
PERU Securing the Future of Peru's Protected Areas

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| Project Title: | Securing the Future of Peru's Protected Areas |
| Country: | Peru |
| GEF Agency(ies): | World Wildlife Fund, Inc. |
| Other Executing Partner(s): | SERNANP |
| GEF Focal Area(s) | Multi-focal area |

A. FOCAL AREA STRATEGY FRAMEWORK

| Objectives/Programs (Focal Areas, Integrated Approach Pilot, Corporate Programs) | Expected Outcomes | Trust Fund | (in \$) | |
|---|--|------------|-----------------------|-------------------|
| | | | GEF Project Financing | Co-financing |
| BD-1 Program 1 | 1.1. Increased revenue for protected area systems and globally significant protected areas to meet total expenditures required for management 1.2. Improved management effectiveness of protected areas | GEFTF | 4,500,000 | 19,700,00 |
| BD-1 Program 2 | 2.1. Increase in area of terrestrial ecosystems of global significance in new protected areas 2.2. Improved management effectiveness of new protected areas | GEFTF | 1,145,373 | 5,000,000 |
| LD-2 Program 3 | 2.2: Improved forest management 2.3: Increased investments in SFM | GEFTF | 359,646 | 4,000,000 |
| SFM-2 | Outcome 3: Increased application of good management practices in all forests by relevant government, local community (both women and men) and private sector actors | GEFTF | 2,500,000 | 12,000,000 |
| SFM-4 Program 9 | Outcome 6: Improved collaboration between countries and across sectors on the implementation of SFM | GEFTF | 502,509 | 2,800,000 |
| Total Project Cost | | | 9,007,528 | 43,500,000 |

B. CHILD PROJECT DESCRIPTION SUMMARY

| Project Objective: to promote long-term financial sustainability and improved management effectiveness of Peru's National System of Natural Protected Areas (SINANPE), for protection of the globally significant biodiversity and forest ecosystem services of the Amazon. | | | | |
|---|----------------|---|-----------------------|--------------|
| Project Components | Financing Type | Project Outcomes | (in \$) | |
| | | | GEF Project Financing | Co-financing |
| 1. Finance for Permanence Mechanism for Peru's National Protected Areas System (BD1-1, LD2-3, SFM2, SFM4-9) | TA | 1.1 Mechanism for long-term financial sustainability secured for Peru PAs (BD1-1) 1.2 Adoption of a financial model that closes the funding gap for biodiversity management and promotion of forest ecosystem services in Peru PAs (BD1-1, LD2-3, SFM2) 1.3 Private sector engagement in financing a transition to sustainable forest management across the PA system (SFM4-9) 1.4 Governance structure, institutional capacity and coordination for management of a long-term sinking transition-fund (BD1-1) | 857,860 | 4,000,000 |
| 2. Management and Expansion of Peru's National Protected Areas System (BD1-1, BD1-2, LD2-3, SFM2) | Inv | 2.1 National policy and guidelines foster increased incorporation of sustainable forest management and ecosystem service provision into the national PA system (SFM2) 2.2 Increase in Peruvian Amazon in PA system by 2.7 million ha (BD1-2) 2.3 Funding gap met for national level protected areas management (BD1-1, BD1-2, LD2-3, SFM4-9) | 1,715,720 | 8,000,000 |
| 3. Strengthen the Effective Management of Peru Protected Areas (BD1-1, BD1-2, LD2-3, SFM2) | Inv | 3.1 Effective management of individual PAs in the national system, as measured by METT (BD1-1) 3.2 Increase in application of good management practices in PA forests by government, community, private sector (SFM2) 3.3 Increase in investment in integrated landscape management in and around protected areas (LD2-3) | 5,147,158 | 25,000,000 |
| 4. Project Coordination and M&E | TA | 4.1 Effective project monitoring and evaluation 4.2 Coordination among project elements and with child projects under the Amazon Program | 857,860 | 4,000,000 |

| | | | |
|--|-------------------------------|------------------|-------------------|
| | Subtotal | 8,578,598 | 41,000,000 |
| | Project Management Cost (PMC) | 428,930 | 2,500,000 |
| | Total Project Cost | 9,007,528 | 43,500,000 |

C. INDICATIVE SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE, IF AVAILABLE

| Sources of Co-financing | Name of Co-financier | Type of Co-financing | Amount (\$) |
|---------------------------|-----------------------------------|----------------------|-------------------|
| Recipient Government | SERNANP | Grants/In-kind | 13,000,000 |
| Other | Gordon and Betty Moore Foundation | Grants | 8,000,000 |
| Other | WWF | Grants | 5,000,000 |
| Other | Private sector agreements/ NGO's | Grants/In-kind | 10,000,000 |
| Other | Other agencies | Grants/In-kind | 5,500,000 |
| Total Co-financing | | | 43,500,000 |

D. INDICATIVE TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES) AND THE PROGRAMMING OF FUNDS A)

| GEF Agency | Trust Fund | Country | Focal Area | Programming of Funds | (in \$) | | |
|---------------------|------------|---------|------------------|----------------------|---------------------------|-----------------------------|---------------|
| | | | | | GEF Project Financing (a) | Agency Fee (b) ^b | Total (c)=a+b |
| WWF | GEFTF | Peru | Biodiversity | | 5,645,373 | 508,084 | 6,153,456 |
| WWF | GEFTF | Peru | Land Degradation | | 359,646 | 32,368 | 392,015 |
| WWF | GEFTF | Peru | SFM/ABP | | 3,002,509 | 270,226 | 3,272,735 |
| Total GEF Resources | | | | | 9,007,528 | 810,678 | 9,818,206 |

PART II: PROJECT JUSTIFICATION

A.1. Project Description.

1) Global Environmental and/or Adaptation Problems, Root Causes and Barriers that Need to be Addressed

Peru's Amazon. Peru has the second-largest portion of the Amazon rainforest after Brazil. The Amazon region comprises 64% of Peru, and is marked by a large degree of biodiversity and climate diversity, and just 10% of the country's human population. The Peruvian Amazon is one of the most biologically diverse areas on Earth. As a nation, Peru has the largest number of bird species in the world and the third-largest number of mammals; 44% of these bird species and 63% of the mammal species inhabit the Peruvian Amazon. Peru has a very high number of species of butterflies, orchids, and other organisms. Peru's Amazon is one of the best preserved in the Biome, with a relatively low, but increasing, deforestation rate. Peru's Amazon is one of the largest global carbon sinks, currently storing an estimated 25 billion tons of CO₂ equivalent¹.

Protected Areas: A significant area of Peru's forest is reserved under the National System of Natural Protected Areas (SINANPE), including over 14,000,000 ha of Peruvian Amazon, which represents 17% of

¹ Asner et al. 2014. The High Resolution Carbon Geography of Peru

the broader hydrographic Amazon region, and contains over 1.0 billion metric tons of carbon (approximately 4.0 billion tons of CO₂ equivalent)². Peru's Protected Areas System is diverse in representing ecosystems and wildlife, and is sufficiently large to ensure the protection of important habitats and ecosystem services. The PA System encompasses various direct use and indirect use management categories, including Communal Reserves which are co-managed with indigenous peoples.

Deforestation. While there are a number of pressures in the Peruvian Amazon, the most critical factor behind loss of biodiversity and ecosystem services is the loss of forest cover due to deforestation. In 2001, the average annual deforestation rate for Amazon forests was estimated at 83,995 ha/year, increasing to 113,504 ha/year between 2001 and 2013 (Figure 1).³ The economic boom and increased national security of the last 10 years has accelerated development. This has translated into unprecedented new infrastructure development, which in turn opens up isolated areas to incursion from legal and illegal activities including: illegal alluvial gold mining; expansion of plantations, especially palm oil; timber exploitation; and small scale, shifting agriculture. Small scale agriculture is responsible for almost 90% of the loss of forest cover in the Peruvian Amazon. Deforestation and forest degradation within protected areas in the Peruvian Amazon is a significant problem, with cumulative deforestation in direct use protected areas in the Amazon estimated at 1.34%, and 0.22 % for indirect use areas, through the year 2000.⁴

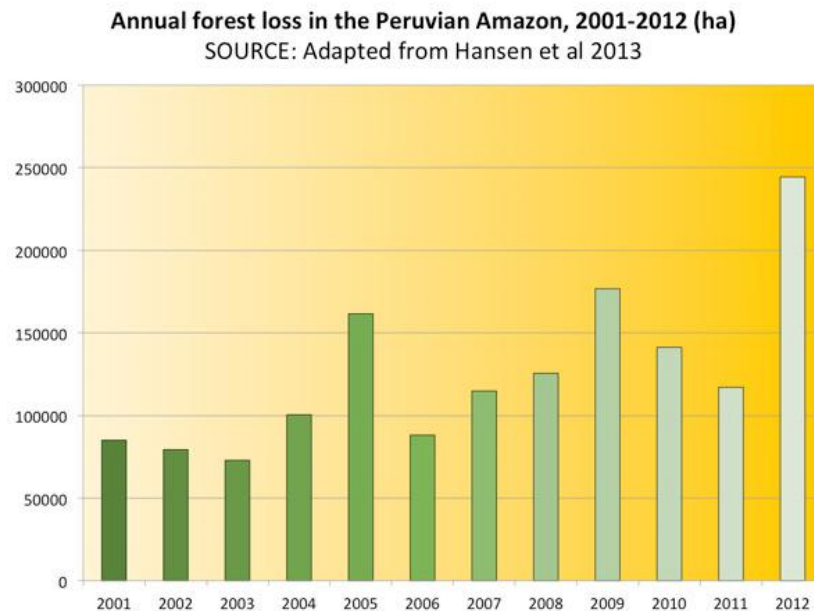


Figure 1

Financial Capacity for Protected Area Management. A significant barrier to biodiversity and forest ecosystem protection in Peru is underfunding of protected areas. Insufficient funding means that many protected areas in the Peru system have inadequate staff, equipment, and other management necessities. The extent of protected areas in the Amazon has grown enormously over the last 30 years, but funding for these systems has not kept pace. Although government budgetary allocations for the National System of Natural Protected Areas (SINANPE) have increased in recent years, expenditures are still not sufficient. Current investment currently covers only around 60% of the core budget of the PA system – to ensure adequate personnel, benefits, and infrastructure. Additional funding is needed to bring management effectiveness up to a standard, consolidated, level that ensures each PA receives the investment required by its management

² Asner et al. 2014. The High Resolution Carbon Geography of Peru

³ MINAM – Programa Nacional de Conservación de Bosques, 2015

⁴ Ocupación Humana y Areas Protegidas de la Amazonia del Perú, Dourojeanni, 2014

plan. There is also a need to better incorporate gender issues, work with surrounding communities to improve their livelihoods, and address emerging threats such as illegal mining. Long-term financial sustainability for SINANPE needs to be secured to sustain the biodiversity and ecosystem services these protected areas provide to Peruvian society and the world.

2) Baseline scenario:

The GEF Context. Previous GEF support for protected areas in Peru has promoted the development of financial mechanisms, participatory management tools, and policy frameworks that provide the enabling conditions for the system-wide approach to PA financial sustainability proposed through this project. With the support of GEF resources in Perú, the *Peruvian National Fund for National Parks and Protected Areas* (FONANPE) was created, and the institution that manages it, PROFONANPE, was established in 1992. FONANPE became a catalyst to generate additional resources and to create alternative management models for protected areas and PROFONANPE effectively channeled project cooperation resources for protected areas management. In 2003, with the participation of GEF, two other initiatives were implemented. The *Management of Natural Protected Areas in the Peruvian Amazon* (PIMA) contributed to improving the conservation of biological diversity and sustainability of five protected areas with the participation of Amazonian indigenous communities. The *Participatory Management of Protected Natural Areas Project* (GPAN) allowed the establishment of the first pilot co-management contracts and co-management practices in protected areas, improving the financial leverage for their management. In 2010, the *Project for Strengthening Biodiversity Conservation through Natural Protected Areas* (PRONANP) was launched as the result of an agreement between GEF, the World Bank and PROFONANPE. This project operationalized the concept of conservation corridors and developed guidelines and procedures for the coordination of conservation efforts at different levels of government, supporting SERNANP to promote regional conservation systems with an integrated management vision.

Since 2003, funds have been provided by the GEF and through bi-lateral debt swaps to help improve the financial sustainability of the National System of Natural Protected Areas (SINANPE). A conservative estimate of 6 percent return on these funds administered by PROFONANPE would produce a revenue stream of approximately US\$2 million. As noted in the World Bank's ICR report for the GPAN project, this still means a significant annual shortfall in what is needed to manage SINANPE without additional foreign donor funding. The proposed project will advance the priorities identified in SINANPE's 2010-2019 Financial Plan⁵, which was concluded under the GPAN project: increasing the public budget to cover a larger proportion of PA recurrent costs, decrease the PA systems's dependence on foreign funding, and produce an updated cost estimate for the PA network and an updated financial gap analysis.

Protected Area Management. SERNANP is recognized as an effective institution within the government of Peru and has made great strides in improving the management effectiveness of Amazon protected areas over the last 10 years. SERNANP, the key partner to this proposal, will provide a baseline of: developing annual institutional operational plans; national-level planning for the protected area system; and coordination with individual protected areas (*Areas Naturales Protegidas, ANPs*), which undertake protected area management at a varied level of effort and effectiveness. SERNANP's Institutional Strategic Plan for 2014-2018⁶ lays out four strategic objectives: 1) consolidating SINANPE, 2) promoting sustainable use of ecosystem services, 3) strengthening participatory and effective management of PAs, and 4) developing and strengthening institutional capacities for the management of PAs. WWF and many other NGOs in Peru will continue to work closely with the SERNANP to address threats and strengthen the management of protected areas, and donors such as USAID, the German government and the Moore Foundation will continue their support through significant investments in addressing drivers of deforestation and improving the management of PAs. This NGO and donor assistance is restricted to specific protected areas and limited to 2-3 year time-

⁵ http://www.sernanp.gob.pe/sernanp/archivos/baselegal/Resoluciones_Presidenciales/plan_financiero_SINANPE_COMPLETO.pdf

⁶ ([http://www.sernanp.gob.pe/sernanp/archivos/baselegal/Resoluciones_Presidenciales/2013/01%20RP%20N%20092%20-2013%20-SERNANP%20\(1\).pdf](http://www.sernanp.gob.pe/sernanp/archivos/baselegal/Resoluciones_Presidenciales/2013/01%20RP%20N%20092%20-2013%20-SERNANP%20(1).pdf))

frames, such that the current baseline for protected area management is a project-dependent approach that relies heavily on contributions from external donors.

Project Finance for Permanence Baseline. The early stages of a public-private partnership for long-term financing and management of the Peru Protected Area System has been developed. The partnership is based on the “Project Finance for Permanence” (PFP) approach, which uses project finance techniques to mobilize the resources, institutional commitments, and other conditions needed for successful long-term conservation. First applied in Brazil in 2001 (through ARPA), PFP is a holistic approach to large-scale place-based conservation that brings together the ecological, financial, and organizational measures needed for long-term conservation thoroughly and all at once, rather than incompletely and incrementally. In November 2014, an MOU was signed among Ministry of Environment (MINAM), National Service of Natural Protected Areas of Peru (SERNANP), PROFONANPE, WWF, Blue Moon Fund, Moore Foundation, and Peruvian Society for Environmental Law on “Securing the Future of Peru’s Natural Protected Areas.” The MOU signifies the intent of the parties to develop a sustainable financial model for SINANPE, in order to eliminate reliance on foreign donors in the future, and to set goals to improve effectiveness of participatory management of the system. Key agencies have already expressed their interest and are exploring concrete pledges – amongst them KfW, the Norwegian Government, Moore Foundation and WWF US. Many other NGOs working in the Peruvian Amazon are aligned with the objectives of the project and will provide in-kind support. The Moore Foundation, in particular, sees this PFP initiative as the opportunity to secure the sustainability of its significant investments in Amazon protected areas in Peru over the last 10 years. The Peru Government over the last 5 years has increased the budget for protected areas at an average rate of 7% per year annually and will use this initiative to justify additional incremental funding for SINANPE. Additionally, Peru’s National Protected Areas System Service (SERNANP) uses innovative approaches to PA funding, including income from tourism, concessions, and some initial transactions of REDD+, which is anticipated to increase during the proposed project period, and will contribute to the financial model. PROFONANPE is also a signatory to the MOU and is collaborating closely with the PFP initiative to ensure that the lessons learned over the years and its capacity to channel resources, including revenues from its existing endowment, to PAs contributes to the long-term financial sustainability model.

3) Alternative Scenario:

GEF and partner funding will allow project partners to develop the necessary long-term financial sustainability model for the Peru protected area system. Using the PFP approach, the partners will secure funding commitments for the protected areas system in advance by jointly agreeing on specific, measurable program goals and a comprehensive financial plan. Development of the financial plan will start with clearly identifying the overall conservation goals of the network, and the levels of staff, infrastructure, equipment and activities necessary within each protected area to meet those goals. Costs for those items will be estimated for each protected area over the long term, and funding that is already secured (from the government and other sources in the project baseline) compared against those estimates. The resulting financial gap will be assessed, and various scenarios developed for how new funding sources could fill the gap. Financial scenarios will be adjusted until funding commitments from the government and partners are sufficient to cover the gap while ensuring that in-country funding sources will grow steadily and cover all costs by the end of the project. In these scenarios, donors will support a greater portion of the gap in early years, through the sinking or “transition fund,” and the government of Peru will increase its financial contributions annually to fill most of the gap in later years (from a combination of direct budget allocations and revenue from tourism, or other in-country sustainable funding sources).

A centerpiece of PFP is a single “closing” that delivers pledged funds at the time pledge conditions are met, which can also serve to organize the parties and draw out new resources and commitments. The single closing is a powerful mechanism that allows governmental commitments to leverage major financial commitments simultaneously from public and private sector donors. During project preparation SERNANP will coordinate a detailed process to estimate costs to consolidate and maintain Peru’s national protected area system over the long term. The single closing is expected to occur in the first year of the GEF project, and

during the first years of the project, the institutional arrangement and governance for the fund will be set up (Component 1). Following establishment of the funding mechanism and its management systems, the transition fund and co-finance will be used for national level planning and management for the protected areas system and expansion of the system in the Peruvian Amazon (Component 2), and for increased effectiveness of management of the existing and new protected areas in the Peruvian Amazon (Component 3).

Project Objective. The project objective is to promote long-term financial sustainability and improved management effectiveness of Peru's National System of Natural Protected Areas (SINANPE), for protection of the globally significant biodiversity and forest ecosystem services of the Amazon.

Outcomes and components. To achieve this objective, the following three components will be implemented:

Component 1: Finance for Permanence Mechanism for Peru's National Protected Areas System

Component 1 will establish the mechanism for a transition fund for the protected area system, develop governance structures, and build capacity for management of the fund.

Outcomes:

- 1.1 Mechanism for long-term financial sustainability secured for Peru's PAs
- 1.2 Adoption of a financial model that closes the funding gap for biodiversity management and promotion of forest ecosystem services
- 1.3 Private sector engagement in financing a transition to sustainable forest management across the PA system
- 1.4 Governance structure, institutional capacity and coordination for management of a long-term sinking transition-fund.

Key Outputs:

- Processes and tools incorporated into participatory Master Plans for regular long-term financial planning and tracking of costs related to control, vigilance and basic participatory management of PAs
- Additional donors and resources attracted to the public-private partnership, including commitments by at least 3 regional governments, private sector, concessions, tourism, amongst others.
- Institutional capacity and institutional and financial arrangement developed and agreed for management of the transitional fund and the public-private partnership.
- The single closing for transition fund, which guarantees funding for long term (15-20 years) for a pre-agreed set of conservation activities and outputs.
- National government provides specific targets to increase budgetary allocations for core costs funding.

Component 2: Management and Expansion of Peru's National Protected Areas System

Component 2 will be implemented following the single closing and establishment of governance systems for the transition fund (Component 1). The transition fund established in component 1 will be utilized to formally expand the protected area system in the Peruvian Amazon and to increase the effective management of the national system. Currently, 2.7 million ha of Peruvian Amazon is under "Reserved Zone" status, which is a transitory step in the categorization of protected areas. Reserved Zones can revert back to non-protected status at any time and are therefore vulnerable to deforestation and degradation. The project will designate the 2.7 million hectares as one of the formal protected area classifications.

Outcomes:

- 2.1 National policy and guidelines foster increased incorporation of sustainable forest management and ecosystem service provision into the national PA system
- 2.2 Increase in Peruvian Amazon in PA system by 1.3 million ha
- 2.3 Funding gap met for national level protected areas management.

Outputs:

- Additional 2.7 million ha of Peruvian Amazon categorized as one of the nine eligible categories in Peru's National Protected Area System (National Park, National Sanctuary, Historic Sanctuary, National Reserve, Wildlife Refuge, Scenic Reserve, Communal Reserve, Protected Forest, Game Reserves)
- National identification of emerging threats to the PA system (roads, extractive industries, water infrastructure, commodity production), with mitigation and management plans
- National assessment of PES in PA system to identify gaps and opportunities
- Multi-sectoral review of national policy and standards with recommendations for PES integration
- Government policies and guidelines developed at national level for: (a) valuation of forest ecosystem services (hydrological, climate resilience, other); (b) carbon accounting and carbon finance schemes; (c) valuation of direct benefits from PAs, including PA-based tourism, PA jobs, other.

Component 3: Strengthen the Effective Management of Protected Areas

After the establishment of the transition fund (Component 1), individual protected areas will be eligible for funding to implement management activities for biodiversity conservation, maintenance of ecosystem services, provision of benefits to local communities from forest services, and participative landscape planning.

During project development, criteria will be developed to select which PAs are eligible to receive GEF funding, and will include:

- Location in the Amazon basin
- The newly categorized Reserved Zones, and
- Communal Reserves that are co-managed with indigenous peoples.

Outcomes:

- 3.1 Effective management of individual PAs in the national system, as measured by METT
- 3.2 Increase in application of good management practices in PA forests by government, community, private sector
- 3.3 Increase in investment in integrated landscape management in and around protected areas.

Outputs:

- Sub-grants from the transition fund for eligible management activities in individual, eligible PAs. Eligible management activities will be determined by the public-private partnership during the project development stage before the single closing, and might include:
 - (a) development of five-year Master Plans for individual PAs;
 - (b) border demarcation;
 - (c) establishment of multi-stakeholder PA management committees;
 - (d) annual reports on conservation status of individual PAs;
 - (e) establishment of direct-use agreements between individual PAs and local communities;
 - (f) participative land use planning and/or support to sustainable land management practices with buffer zone communities in selected PAs;
 - (g) pilot PES projects in selected protected areas.

Component 4: Project Coordination and M&E

This component will facilitate coordination among the various project partners involved in implementation of the above components, across national and local levels, and will include implementation of project monitoring and evaluation.

Outcomes:

- 4.1 Effective project monitoring and evaluation
- 4.2 Coordination among project elements and with child projects under the Amazon Program.

Outputs:

- Regularly updated project monitoring system
- Timely submission of GEF Tracking Tools
- Mid-term and Final Evaluation reports.

4) Incremental Reasoning and Expected Contributions from the Baseline (The GEFTF and co-financing)

Financial Sustainability: The GEF financing will galvanize commitments both from National Governments and external funders to the long-term model for financial sustainability, and will facilitate the effective establishment of the funding mechanism. GEF investment will help to leverage the necessary policy changes and political will to ensure that previous investments in the establishment and maintenance of PAs in the Peruvian Amazon are sustainable for the long-term.

National PA System: The GEF finance will provide incremental funding across a range of project interventions that further diversify and systematize innovative approaches to generate income for Peru's National PA System. At the same time these interventions will reduce deforestation and promote the integration of the PA system into sustainable landscapes at the domestic level. The Peru Government will provide significant co-financing in cash and in kind to meet the financial gap and expand the protected areas system, assisted by upcoming bilateral funding (Norway and Germany), contributions from the UN Agencies' country programs, development agencies (i.e. GIZ, USAID), and grants from other private donors (Gordon and Betty Moore Foundation, WWF). Innovative policies related to revenue generation for protected areas will be implemented by the government of Peru, including the participation of subnational governments (an approximation which was developed by PRONANP). The commitment of Peru's Ministry of Economy and Finance to providing sufficient budgetary resources to the management and maintenance of protected areas will be increased, through making the case for protected areas as engines of economic growth and improved livelihoods for local people in the Amazon (through tourism and other forest-friendly enterprises) and as providers of critical ecosystem services.

Effective Management of Amazon PAs: GEF and partner funding will contribute management innovations, including the expansion and strengthening of resource use agreements with local communities for direct use PAs, co-management contracts with NGOs and indigenous peoples groups, and other forms of participatory management of protected areas, expanding the number of actors involved in the conservation of natural protected areas in Peru. In certain specific PAs, activities will be undertaken to recover areas degraded by informal gold-mining, illegal logging and other activities impacting protected areas.

Integration into the Amazon Program: GEF support to the overall Amazon Program will result in cooperation and synergies among the initiatives working to promote conservation and sustainable forest management in the Amazon, resulting in an integrated intervention encompassing protected areas, productive landscapes and corridors.

Overall, the recent economic growth in Peru and a favorable policy environment within MINAM make the timing of this initiative opportune. A summary of the project benefits follows below:

- Demonstrates Peru's leadership, both in the Amazon and globally, in productively integrating conservation and sustainable development;
- Permanently protects the Amazon region protected areas contained within Peru's National System of Natural Protected Areas;
- Exemplifies Peru's ongoing development and drive toward full financial and operational self-sufficiency with respect to protected areas stewardship;
- Contributes towards improving quality of life for rural communities via sustainable development of those regions;
- Maintains the continued provision of ecosystem services vital to the Peruvian economy and humanity in general;
- Improves protected area management within a framework of participatory governance that generates benefits to society as a whole and, in particular, to local populations;
- Demonstrates Peru's leadership on mitigating global climate change through the protection of its Amazon forests and other crucial ecosystems;
- Develops innovative finance mechanisms that will benefit other areas beyond the protected areas in this project and serve as a model for other countries;
- Helps Peru meet its domestic and international commitments with respect to the global environmental agenda.

5) Global Environmental Benefits:

The project will generate global environmental benefits under the three GEF focal areas:

- Global *biodiversity benefits* include conservation of the diverse species of the Amazon. The Peruvian Amazon is habitat for an estimated 806 bird species, 7,372 species of angiosperms, 262 amphibian species, 2,500 butterfly species, and 697 species of river fish. Also present in the Amazon of Peru are numerous endemic species. Biodiversity conservation, and avoidance of deforestation of Amazon habitat, will be generated through improved management across the Amazon portion of the Peru Protected Area System, and an increase in the area of Peruvian Amazon formally included in the PA System.
- The project will generate *sustainable land management* benefits. Improved effective management across the protected area system, at the national and local scale, will promote provision of forest ecosystem services, such as carbon storage, watershed protection, soil protection, and non-timber forest products for local livelihoods. Approximately 1.1 billion metric tons of carbon (4.0 billion tons of CO₂ eq) is contained in Peru's Amazon protected areas. Over the next six months, as part of the project development, the tons of CO₂ eq of emissions avoided through implementation of this project vs. Business As Usual (BAU) will be quantified.
- *Sustainable forest management* benefits will be generated. Project outcomes include addition of 2,700,000 ha of Amazon forest to the national protected areas system. Currently this forest is in the 'Reserved Zone,' which is transitional zoning and at risk of re-zoning for development. Through the project activities, it will be formally zoned as protected area and be more effectively protected from deforestation. Sub-grants to protected areas, with a focus on indigenous and forest-dependent people in the Amazon region, will generate enhanced sustainable livelihoods and benefits from forest ecosystem services and products.

6) Innovation, Sustainability and Potential for Scaling Up

Innovation. Projects for Permanent Finance, with their single closure and transition model have been tested in few countries, the most recent of which is Brazil. The approach is relatively new and great benefits may be derived from exchange of unique approaches at the country level to scale them up globally. Peru's contribution will be an innovative diversification of funding sources unprecedented in any of the prior models. It will be challenging to embed this model into national policies and regulations because it requires an acknowledgement of the great value and contribution of PAs to the economic development of the country but Peru is well positioned to tackle such this challenge.

Sustainability. The project presents a truly sustainable long term model for financing protected area management, through a long term transition from donor contributions to full government funding. The project will also generate sustainable outcomes by building capacity for efficient protected area management in Peru.

Scaling Up. The project presents opportunity for scaling up across the Amazon region, or for replication in other highly biodiverse and ecosystem service rich environments where there is insufficient core budget for environmental management. Lessons from the project will be shared widely, through the Amazon Program, through the WWF international network, and other means.

A.2. Stakeholders. Will project design include the participation of relevant stakeholders from civil society and indigenous people? (yes X /no) If yes, identify key stakeholders and briefly describe how they will be engaged in project design/preparation:

The National Protected Area Service (SERNANP) will lead this initiative. Inherent in the Protected Areas System is the participatory nature of the planning and management processes for buy-in of multiple stakeholders. The PA System's contribution to improved livelihoods, social and environmental safeguards for indigenous populations, maintenance of ecosystem services, and in some instances, economic development through tourism will be recognized and mainstreamed through this project. Through this project, individual PAs will be recipients, and local and indigenous communities will benefit directly from sub-grants for participatory management, and indirectly from improved management effectiveness.

The project will be led by the National Protected Area Service (SERNANP), with the direct participation of a number of its dependencies in the target areas.

Moore and other foundations will be key partners for providing funding for the transition fund, and as partners in developing the financial model, governance structure, and capacity for the transition fund.

Additional key stakeholders may vary in each PA to include:

- a. Regional governments engaged through Peru's performance budget system, in which the PA system is incorporated.
- b. Municipal governments as direct stakeholders in participatory planning and management processes and members of the Multi-stakeholder Management Committee of individual PAs.
- c. Adjacent local communities as both direct beneficiaries - through signed agreements to account for direct use of natural resources - and as members of the Multi-stakeholder Management Committee of individual PAs.
- d. Indigenous peoples, as direct beneficiaries of sub-grants for PA management, especially in Communal Reserves, which are PAs that are co-managed by indigenous peoples organizations.
- e. The private sector, which through corporate investments may impact protected areas and livelihoods of indigenous peoples and inhabitants when present – through investment schemes to engage through social responsibility, offsets, compensation, and others.

- f. Tourism industry when relevant, which adds enormous economic value to the PA System, and is the sector that should invest in the maintenance of PAs, as the attractions of ecotourism.

A.3 Risk. Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the project design (table format acceptable):

1. *Failed past attempts to ensure financial sustainability:* It is not the first time that financial sustainability of the protected areas system is proposed. Yet projections were insufficient to cover increased threats (e.g., illegal logging and mining) and expansion of the system. The project risks are underestimating the gap and not planning over a long-enough time-frame. These risks will be addressed through the careful financial models that will be developed and evaluated during the project preparation phase and the use of a long-term (15-20 years) sinking fund (“transition fund”) as the financial mechanism for the project.
2. *Limited understanding of value of protected areas of the National Government:* In 2009 SERNANP successfully utilized a study demonstrating the economic value of protected areas system to increase the PA System budget five-fold. However, this approach needs to be integrated into the financial planning model as changing administrations do not carry forward this information, thus negotiations for the budget for the PA System needs to start from the beginning to justify the value with each change of administration. A study by the Pacific University of Peru (CIUP) on the socio-economic benefits of PAs as well as specific analyses of the carbon benefits and hydrological services that PAs provide, will be carried out during the project preparation phase.
3. *PA System considered a hindrance to economic development:* The Protected Areas System in many instances is considered a barrier to development rather than a positive contribution to a low carbon economy. As such, there is a risk that not all regional governments will be supportive of the project, resist to integrate into performance budgets and, in a worst case scenario, actively request that the protected areas be downgraded, downsized or degazetted for infrastructure development or extractive industries. Once again, the studies mentioned above as well as the strengthening of Management Committees and Participatory Planning that the project will carry out will mitigate this risk.
4. *Increased threats by illegal activities and infrastructure development:* Peru has been experiencing an economic boom for the last 10 years. As a result, there has been great expansion of infrastructure such as highways that increase accessibility to the once remote Protected Areas. The System operating at minimum level is not adequately prepared to face those challenges. The proposed project will address this risk by estimating these increased costs in financial projections and modeling.
5. *Uneven capacity to plan in Protected Areas System:* The current administration is standardizing the methodology to ensure maximum efficiency and addressing conservation targets. This initiative will help to drive standardization in planning and PA management across the PA system.
6. *Vulnerability to Climate Change:* Peru is the third most vulnerable country to climate change in the world, and at the same time boasts megadiversity in terms of climates, cultures and biology. To mitigate this risk, all PA management activities to be implemented in this project will take into account the PA vulnerability analysis recently completed by WWF and SERNANP.

A.4. Coordination. Outline the coordination with other relevant GEF-financed and other initiatives:

The proposed project will be fully coordinated under the *Amazon Sustainable Landscapes Program*, especially with the GEF-UNDP proposal *Sustainable Productive Landscapes in the Peruvian Amazon*. The GEF-UNDP project focuses on conservation and sustainable forest management in productive lands in the Peruvian Amazon and is thus complementary both thematically and geographically with this project focusing on protected areas. Together, the two projects will ensure a holistic approach to conservation and sustainable forest management in the Peruvian Amazon. *Securing the Future of Peru's Protected Areas* will join the overall landscape coordination roundtable led by the National Forest and Climate Program (the part of MINAM leading the Sustainable Productive Landscapes child project) and the government of Peru will use this as the inter-agency coordination mechanism.

The regional coordination that the *Amazon Sustainable Landscapes Program* will provide amongst Peru, Brazil and Colombia will allow the interchange of key lessons and experience for the Project Finance for Permanence (PFP) approach, which is relatively new. *Securing the Future of Peru's Protected Areas System* will complement and build upon the lessons learnt and the capacities developed through Brazil's *ARPA for Life* and will coordinate with the proposed child project of Colombia.

The proposed project will coordinate with, and complement, the GEF-UNDP Full Sized Project 5152: *Transforming Management of Protected Area/Landscape Complexes to Strengthen Ecosystem Resilience*. The UNDP-GEF project focus is on building resilience to climate change within the Peru protected areas system, by: developing climate change monitoring and management systems for protected areas; expanding PAs in landscapes that are vulnerable to climate change; and promoting sustainable land management around PAs, in anticipation of increased threats to PAs. Both this proposed project and the *Ecosystem Resilience* project have the same main project partner: SERNANP, which creates ease of coordination. The implementation period of both projects is likely to coincide, and so this proposed project will endeavor to include key tools developed through the *Ecosystem Resilience* project, and will share all relevant outcomes and outputs with the aforementioned project. All PA management activities to be implemented in this project will take into account the PA climate change vulnerability analysis, which is also guiding the interventions of the Project on Ecosystem Resilience (5152).

The project will build on the results of the completed PIMA, GPAN and PRONANP projects previously funded by the GEF in support of Peru's protected areas by utilizing the financial mechanisms, management tools and policy frameworks that were established through these projects to contribute to the long-term financial sustainability of the entire system of protected areas in the Peruvian Amazon.

There are several other ongoing non-GEF initiatives related to decreasing deforestation in the Peruvian Amazon and promoting activities designed to reduce emissions from forest loss. Peru was accepted last year into the pipeline of the Forest Carbon Partnership Facility (FCPF) Carbon Fund, and is now in the full design phase of a jurisdictional REDD program. The REDD program will be focused on productive lands in San Martin and/or Ucayali. Peru had a national forest investment plan approved by the World Bank's Forest Investment Program (FIP) in 2013 and is currently designing several projects under this framework to address drivers of deforestation through integrated landscape management. WWF will be the executing agency for a complimentary program funded by the FIP's Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) that will be focused explicitly on working with Indigenous Peoples organizations in the Amazon to clarify and improve indigenous land rights and security, as well as advance community forest management models. The inter-institutional landscape coordination roundtable mentioned above will also serve to articulate this project with these initiatives.

B.1 Is the project consistent with the National strategies and plans or reports and assessments under relevant conventions? For biodiversity related projects, please reference the Aichi Targets that the project will contribute to achieving. (yes /no). If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, etc.:

This initiative ties in with, and contributes to the implementation of the National Biodiversity Strategy to 2021 and its Action Plan 2014-2018 (EPANDB) approved by Supreme Decree No. 009-2014-MINAM; in particular with the strategic objective number 1 "improving the state of biodiversity and maintaining the integrity of the ecosystem

services it provides”, which notes that the conservation state of biodiversity should be improved, that the supply of goods and services for human wellbeing provided by Protected Natural Areas should be maintained.

The scope of this project includes two wetlands of international importance or Ramsar sites: Pacaya Samiria National Reserve and Ponds Arreivatadas, located inside the Tabaconas Namballe National Sanctuary.

The project will contribute the meeting of Aichi Goals number 11, 14 and 15 of CBD and with the United Nations Framework Convention on Climate Change - UNFCCC, avoiding deforestation and forest degradation in Peru's Amazonian protected natural areas and as a consequence avoiding future emissions of greenhouse gases.

The project is consistent with Government of Peru strategies for conservation. The overarching *National Strategy on Forests and Climate Change* of the government of Peru aims to “contribute to reduce losses of forest and GHG emissions, and improve resilience and welfare of the inhabitants of forest landscapes.” The Strategy lays out a series of recommended strategic actions, including consolidation of the national system of protected areas, in order to achieve its goals. At the UNFCCC CoP in Lima, the Joint Declaration of Intent between the Government of the Republic of Peru, the Government of the Kingdom of Norway and the Government of the Federal Republic of Germany on “Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation (REDD+) and promote sustainable development in Peru” was announced which also encompasses conservation of Peru’s natural protected areas.