



# Knowledge and Capacity Building Products (KCP) Proposal

## Policy and Capacity Development

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### I. General Information

#### KCP Title:

**Designing the Forest Investment Program Strategy for Peru**

#### OPUS Number:

PE-T1238

#### Date of Proposal:

5/16/2011

#### Linked to project:

#### Team Leader / Unit:

LIMA, EIRIVELTHON SANTOS - INE/RND

#### Peer Reviewer 1:

NETTO DE A. C. SCHNEIDER, MARIA E.

#### Peer Reviewer 2:

MILLER, SEBASTIAN JOSE

#### Joint Proposal:

INE/ECC

**Proposed amount, without counterpart** in USD equivalent (enter whole number only): USD 250,000  
Must match total of budget table on section VI, and of OPUS

**Proposed amount including counterpart** (if applicable) in USD equivalent: USD 320,000

#### Proposed Fund: SCX

#### Unit of Technical Responsibility:

INE/RND

#### Unit of Disbursement Responsibility:

INE/RND

#### Execution:

INE/RND

#### Letters of Request available (or equivalent)

Yes

#### Doc# (IDBdocs):

[36136126](#)

#### Non-objection available:

No

#### Doc# (IDBdocs):

**Execution period: 12 months      Disbursement period: 14 months      Required Start Date: 8/20/2011**

#### Executing Agency:

INE/RND

#### Executing Agency description and capacity:

#### Country of Origin of Executing Agency:

#### Contact in the Executing Agency:

#### E-mail address:

#### Beneficiary Countries:

PERU

**Beneficiary entity:** Ministries: of Environment (MINAM), of Agriculture (MINAG) & of Economy and Finance (MEF)

**Sector:** ENVIRONMENT AND NATURAL DISASTERS

## II. KCP Type

### Origination

Originated in client: KCP is the result of clients' demands.

The client may require to address a current public discussion, an advice to draft a law or a regulation, support for policy analysis and formulation, a capacity improvement for the execution of a recently approved program, an analysis of a public policy or private sector problem, or generate consensus around a specific issue.

### Scope

Short term purpose:

Demand for this KCP has an immediate, short-term scope, possibly drawing from knowledge and experience that is readily available.

## III. Alignment of the KCP proposal with IDB's Institutional Priorities (GCI9).

5. Protecting the Environment and Responding to Climate Change  
Rural development and forestry

3.1 Explain how the knowledge produced with this KCP will be used (policy advice, institutional strengthening, input for programming and strategy, pipeline development, input for other KCPs):

The knowledge produced by this KCP (PE-T1238) will be used as the building blocks for the development of an investment strategy (henceforth referred to as "Investment Plan") for the Government of Peru as required by the Forest Investment Program (FIP). To access the FIP financial resources, the Government of Peru has to develop an "Investment Plan". This "Investment Plan" has to identify opportunities for reducing emissions from deforestation and forest degradation as well as conservation and enhancement of forest carbon stocks while improving local livelihoods.

The objectives of the Bank's strategy with Peru (GN-2472-2) are: (i) Global foothold and competitiveness; (ii) Development and social inclusion; and (iii) Reform of the State and public administration. The development and implementation of an "Investment Plan" in the context of the FIP will contribute, directly, to: (i) global competitiveness by improving the sustainability of the agricultural and forestry sector, and (ii) development and social inclusion by improving the local livelihoods of forest dependent communities and indigenous people.

## IV. OBJECTIVES, EXPECTED RESULTS AND ACTIVITIES (Maximum 4 pages)

4.1 Describe the challenge that this KCP addresses (e.g. policy, institutional, technical):

The challenge that this KCP is seeking to address is technical. The Government of Peru has been selected as a pilot country for the FIP. The FIP is a program in the Strategic Climate Fund (SCF), which aims to reduce carbon emissions from deforestation and forest degradation. In 2011, the Board of Directors approved the participation of the Bank in the SCF (GN-2604). As part of the program, the Bank will help the GoPE to access up to US\$50 million in a mix of grants and highly concessionary loans. The first step in accessing these resources is the development of an "Investment Plan", where the Government of Peru has to make a strong case for initiating transformational change with respect to reductions in deforestation and forest degradation and promotion of sustainable forest management that leads to emission reductions and the protection of carbon reservoirs. More specifically, the FIP requires an "Investment Plan" to show the degree of compliance with six criteria: (a) climate change mitigation potential; (b) demonstration potential at scale; (c) cost-effectiveness; (d) implementation potential; (e) integrating sustainable development (co-benefits); and (f) social and environmental safeguards (IDBDocs: 36135993).

The main challenge for the GoPE is to comply with the above criteria because the country has to "prove" that in absence of the proposed projects, the forests in question would be degraded or cleared. Essentially, the country has to establish "credible threats" to the forested region. This requires countries to grapple with the concept of counterfactual scenarios for projects and/or programs identified under an "Investment Plan" - the "what would have happened" to the forests (and therefore to carbon stores and emissions) without these investments. The "Investment Plan" must demonstrate that the projects will lead to reductions in carbon emissions from deforestation and forest degradation, protection of carbon reservoir and other co-benefits. In other words, the challenge for the GoPE in making causal links is not only to determine which changes in the environment (carbon and co-benefits) are direct results of the proposed interventions, but also to find out an ex-ante methodology that reliably estimates the direction and extent of the impact of the proposed interventions (IDBDocs: 36135331 and 36136239). Through this exercise, the highest impact investments should be identified and prioritized, then, additional work will be required to demonstrate the cost-effectiveness, implementation potential, and external validity of priority projects and programs (IDBdocs: 35804518).

The safeguards criterion, also, is challenging. While the Reducing Emissions from Deforestation and Forest Degradation (REDD) mechanism has a great potential to reduce carbon emissions, it has raised many concerns related to: (a) the rights of indigenous peoples and forest dependent communities; (b) lack of clear land rights; (c) carbon ownership; (c) the impact on livelihoods; (d) clear processes for stakeholder consultations; and (e) impact on biodiversity (IDBDocs: 36136362; 36136388). Therefore, the "Investment Plan" for Peru should ensure that implementation of REDD programs and activities will not cause any adverse social and environmental impacts, while striving to enhance benefits for local communities and the environment (IDBDocs: 36135834). ESG will work closely with the project team to use the appropriate tools and processes to assess the potential impacts from an "Investment Plan", and propose alternatives and mitigation strategies.

In summary, the main challenge this KCP addresses is to support the Government of Peru to bring together the necessary expertise to provide the needed technical inputs to develop an "Investment Plan" that complies with the "Operational Guidelines of the FIP" ensuring the long-term goals of reducing emissions from deforestation and forest degradation are met in Peru.

#### 4.2 Describe lessons learned from previous similar KCP:

The Sustainable Development Program in the State of Acre (BR-0313), the Program Serra do Mar in the State of São Paulo (BR-L1241) and the Nicaraguan Environmental Program for Disaster Risk and Climate Change Management (NI-L1048) are providing important lessons for this KCP. The project BR-L1241 has taught us that even environmentally friendly projects need to pay special attention to community engagement and social issues. We've learned from the project BR-0313 that deforestation can be reduced only through integrated projects, where conservation and production are addressed simultaneously. The project NI-L1048 has showed us that conditional cash transfer programs can be successfully used to achieve both social and environmental goals, and well-designed monitoring and evaluation plans are key to improving the effectiveness and efficiency of this type of program over the long-run.

#### 4.3 State the KCP objectives:

The objective of this KCP is to support the Peru to develop an "Investment Plan" for the FIP. An "Investment Plan" should at least cover the information requested under the investment criteria for programming priorities in a FIP pilot country (IDBdocs: 36135886).

#### 4.4 State the KCP expected results:

The expected results of this KCP are the provision of high quality technical inputs that will serve as the building blocks for the GoPE to develop an "Investment Plan" for the FIP.

#### 4.5 Provide a description of the main outputs and related activities expected to be carried out:

The main output of this KCP is an Investment Plan, which has to identify opportunities for reducing emissions from deforestation and forest degradation as well as conservation and enhancement of forest carbon stocks while improving local livelihoods. To develop the draft Investment Plan the following activities need to be undertaken:

**Activity #1 Analysis of Gaps and Overlaps:** This activity will finance the selection and contracting of consultant services to carry out the following tasks: (i) systematize and review all programs and projects financed by multilateral and bilateral initiatives and operations financed by IDB, WB, IFC, and other sources, including private foundations that support REDD+ in Peru. The Consultant will utilize the original proposals, possible amendments to the original proposals, and reports of products already delivered in the different programs, in order to map the existing programs and projects that support REDD+ in Peru. The consultant will also conduct interviews with the responsible program officers of the REDD+ programs in Peru. Working with the Government of Peru, the IDB and other major donors, the consultant will organize a workshop to openly discuss the findings of the report with the REDD+ roundtables and other national and international organizations.

**Activity #2 Drivers of Deforestation:** The program will finance consultant services to review: (i) the Amazonian and Peruvian literature on deforestation and forest degradation particularly focusing on the drivers of deforestation and degradation, (ii) national and international policies that are directly or indirectly halting, diminishing, or increasing deforestation, and (iii) enabling policy and regulatory frameworks. Also, the consultant should (iv) map out the causal chain pathway for

deforestation and forest degradation in Peru. In addition, the consultant should: (v) work with analysis of deforestation and forest degradation done recently with satellite images acquired between 1990 and 2005 to understand the deforestation and forest degradation trends, (vi) develop a business as usual scenario of land-use and associated emissions and alternative scenarios given the empirical knowledge about public policies that work to reduce deforestation, and (vii) identify and measure the possible co-benefits of the alternative scenarios.

**Activity #3 Identification of Projects:** The funds of the project will finance the selection and contracting of consultant services to develop a list of areas of interventions based on the needed steps to take Peru away from the "Business as Usual" scenario of deforestation and forest degradation towards an "Alternative Scenario" where deforestation and degradation is significantly reduced. Each of these major areas of intervention should fully characterize the projects including the needed inputs, outputs, expected outcomes, and the expected impacts, among others. In addition, the consultant should work closely with the Government of Peru and the IDB to rank the proposed interventions according to the criteria established in the FIP operational guidelines.

**Activity #4 Stakeholder Plan:** Under this component the project will finance consultant services to assess the main stakeholders (including indigenous peoples and local communities) and propose a stakeholder engagement plan. The goal of this plan is to provide the means for the stakeholders to participate in the development of the "Investment Plan" and to create "checks and balances" for the execution of the projects and programs proposed in the "Investment Plan".

**Activity #5 Private Sector:** The project will finance consultant services to develop a market study to analyze the opportunities related to the private sector engagement in the FIP. This study will provide an overview of private investments, investment sizes and locations, investors and developer profiles, and sources of finance in the following sectors: (i) agriculture; (ii) forestry: reforestation, and native forests; (iii) carbon development; and (iv) service providers. All these activities should be used by the consultant to identify promising programs and projects to be co-financed by the FIP.

**Activity #6 Monitoring and Evaluation:** the project will finance consultant services to provide the technical inputs for the development of a results framework and a monitoring and evaluation (M&E) plan for the Investment Plan. This M&E plan should be consistent with the FIP Operational Guidelines (IDB Docs: 36135886) and the IDB's requirements.

**Activity #7 Technical Supervision:** the project will finance consultant services to coordinate the development of the investment plan. The consultant will support the government of Peru and IDB in the coordination and supervision of the quality and timeliness of the inputs from the individual consultants. The consultant will then help the Government of Peru to draft the investment plan using these inputs and in compliance with the FIP operational directives.

**Execution responsibilities.** As requested by the Government of Peru, the Bank (INE/RND) will be the executing agency. The Bank (INE/RND) will administer the project, which includes: management of project funds, provide technical support, supervise and monitor execution. Due to the nature of the FIP, the Government of Peru will provide technical assessments of the products through a Steering Committee composed by the Ministry of Economy and Finance (MEF), Ministry of Agriculture (MINAG), and Ministry of Environment (MINAM).

Following the Bank Policy on Technical Cooperation, the Government of Peru has, exceptionally, requested support from the Bank to execute the proposed Technical Cooperation. The main reason for the Government of Peru to request support of the Bank is the timing required to approve the Investment Plan. The Government of Peru is expecting to have the Investment Plan done and approved by early 2012. The procurement process to be followed in the Government of Peru could take a substantial amount of time in order to hire the specialized consultants and, therefore, bring delays in the expected approval date. After careful consideration of this justification, the Bank has agreed to provide support to the Government of Peru.

#### 4.6 Identify the main audience or expected users of knowledge generated or disseminated by this KCP

The users/beneficiaries of the knowledge generated by this KCP will be the Ministry of Environment (MINAM), the Ministry of Economy and Finance (MEF), the Ministry of Agriculture (MINAG), the Regional Amazonian Governments, the Multilateral Development Banks (IDB, WB and IFC), and Civil Society (Indigenous People, Environmental NGOs, and Private Sector). Moreover, at the Forest Investment Program level, the lessons learned in the country program and through projects will be aggregated across countries and consolidated along thematic lines. This, in turn, will lead towards the identification of "good" practices that can be shared in the region and across regions (IDB Docs: 36171836).

#### 4.7 Additional technical information

If necessary, in an appendix please provide further technical details that you consider relevant to evaluate the technical quality of this KCP. Appendix Doc#( IDBDocs): [36150113](#)

### V. KCPs RESULTS FRAMEWORK. Main Outcomes and Outputs.

#### 5.1 Results Matrix:

Please, in the first column fill in each outcome indicator with the relevant outputs. You can use the table of indicators here attached.

Results Matrix									
	Unit	Baseline		Year 1		Year 2		Expected Completion Date	Data Source
		Value	Year	Planned	Actual	Planned	Actual		
Outcome 1: Contribute to the financing of the REDD+ strategy in Peru ;	US\$s	US\$ 14 Million	2011			US\$ 64 million		10/15/2012	Ministry of Economy and Finance
Output 1: Investment Strategy	Number	0	2011	1				12/15/2011	FIP Design Document

**Note: Please note that this outcome and output indicators will be the input for the PMR and will be monitored in the Quarterly Business Review.**

### VI. BUDGET (\*):

6.1 Budget should be presented by outputs or groups of outputs (for example: three publications, three conferences, seminars or workshops; one database; one survey; two training courses), and the relevant activities. Total available funds from counterpart sources should be reported. Use whole numbers only.

Costs	Project Cost – IDB Financing					Counter- part Resources	Other Financing
	Year 1		Year 2		Total request		
	Consult.	Travel (consultants only)	Other				
Gap and overlap analysis for REDD	20,000	0	0	0	20,000	0	0
• Undertake analysis	20,000				20,000		
Modeling Drivers of Deforestation & Carbon Emissions	40,000	10,000	0	0	50,000	10,000	0
• Develop models	40,000	10,000			50,000	10,000	
Identification of opportunities in public sector	40,000	7,500	0	0	47,500	10,000	0
• Identification and prioritization of intervention areas	40,000	7,500			47,500	10,000	
Identification of opportunities in private	40,000	7,500	0	0	47,500	10,000	0

sector							
• Identification and prioritization of intervention areas	40,000	7,500			47,500	10,000	
Stakeholder engagement and proposal	15,000	0	0	0	15,000	10,000	0
• Assessment and proposal development	15,000				15,000	10,000	
Technical coordination and supervision	50,000	0	0	0	50,000	15,000	0
• Coordination and supervision activities	50,000				50,000	15,000	
Monitoring and Evaluation Plan	8,000				8,000		
• Development of M&E plan for Investment plan	8,000				8,000		
Public consultation	12,000	0	0	0	12,000	15,000	0
• Public consultation activities	12,000				12,000	15,000	
<b>Sub-total</b>	225,000	25,000	0	0	250,000	70,000	0
<b>Total</b>	225,000	25,000	0	0	250,000	70,000	0

Approximate value of in-kind counterpart

(\*) More details may be required by donors (e.g. consultant cost per day);

## 6.2 Describe the source and type of counterpart resources

Counterpart resources are in-kind contributions from the government of Peru.

## 6.3 Types of Consultants: Firms or individuals and main activities/outputs:

Type: Individual or Firm (if available)	Nationality (if available)	Estimated Cost	Main Activities / Outputs
Individual	PERU	20,000	Gap and Overlap Analysis of REDD related programs
Individual	BRAZIL	50,000	Modeling the Drivers of Deforestation
Individual	PERU	47,500	Identification of opportunities in public sector
Individual	UNITED STATES OF AMERICA	47,500	Identification of opportunities in private sector
Individual	PERU	15,000	Stakeholder Engagement Plan
Individual	PERU	50,000	Coordination and supervision activities

Individual	CHILE	8,000	Monitoring and evaluation plan
Individual	PERU	12,000	Public consultation activities

## VII. Bank costs:

For the Bank's internal purposes, please provide information in Bank costs associated with the execution of this KCP:

### 7.1 Bank staff participation in KCP:

Staff Name	Bank Unit	FTEs
RESTREPO, LISA SOFIA	INE/RND	0.02
VISCONTI, GLORIA	INE/ECC	0.02
QUIJANDRIA ACOSTA, GABRIEL	INE/ECC	0.02
CORRAL, LEONARDO R.	INE/RND	0.02
LIMA, EIRIVELTHON SANTOS	INE/RND	0.04
TOLMOS LEON, ALFONSO	RND/CPE	0.04
GAENSLY, LAURA	INE/ECC	0.02
FERNANDEZ-BACA, JAIME	CIF/SCF	0.06
CAMBIASSO, EZEQUIEL	PDP/CPE	0.02
ZAPPANI, GERMAN	PDP/CPE	0.02
THOMPSON, JESSICA E.	VPP/VPP	0.02
WILSON, STEVEN RONE	MIF/MIF	0.02
MONICA LUGO	LEG/SGO	0.02

## VIII. Risks:

Fill-out the KCP's Environmental Screening and Classification using this link to the [Environmental Screening and Classification Toolkit](#). Then save it in IDBDOCS and record its number in the box below (\*):

36150141

### 8.1 Implementation Risks:

Due to the upcoming change in government, there is a risk that the technical teams of the ministries with whom IDB has reached agreements will change. Such changes could produce delays in the implementation process. This risk will be mitigated by engaging early in the process with the new teams in order to help them understand the FIP objectives and the proposed approach to reach these objectives. Another risk will be the availability of key staff from MINAM to help in the implementation and coordination of the KCP. This risk will be mitigated by hiring a project coordinator to manage the program and the establishment of a steering committee to supervise the development of the Investment Plan. The Steering Committee will be comprised of the Ministry of Economic and Finance (MEF), Ministry of Environment (MINAM), and Ministry of Agriculture (MINAG). The program coordinator will be based at MINAM and will manage all individual consultants and respond to the Steering Committee.

### 8.2 Please identify key environmental and social risks and impacts, and the strategy to address them:

Following the guidance provided by the Bank's Environment and Safeguards Compliance Policy (OP-703) and applying the Safeguard Policy Filter, this Operation would be categorized as "C" based on a consistent application of OP-703. However, some category C operations may require specific safeguard and/or monitoring requirements to properly address social risks. As such, the Environmental and Safeguards Unit proposes to override the Safeguard Policy Filter and classify this Operation as a "B" on the basis of possible risks of this Operation to adversely affect "Indigenous People". The team will perform an Environmental

and Social Due Diligence (ESSD) with strong emphasis on the social issues and will develop a stakeholder engagement plan as recommended by the FIP operational guidelines (IDBDocs: 36135834). It is important to note that the FIP operational guidelines states clearly that the Bank should use its own policies and procedures, including environmental and social safeguards, when dealing with FIP technical cooperation, projects, and programs.

#### **IX. Coordination with other MDBs**

9.1 Summarize collaboration or coordination with other MDBs, donors and other strategic partners (if any): The FIP requires collaborative work among the Multilateral Development Banks involved. Therefore, the World Bank and the International Finance Corporation (IFC) will collaborate in the development and execution of the "Investment Plan". Other strategic partners include the Regional Governments, the National REDD+ Roundtable, as well as other relevant multilateral and bilateral donors.

#### **X. Monitoring and evaluation plan.**

Fill-out the KCP's Development Effectiveness Matrix (DEM) using this link to the PCD [DEM template](#). Then save it in IDBDOCS and record its number (\*): [36168097](#) [PLEASE CHECK AND UPDATE THE DEM. THE CPD FOR PERU SHOULD BE ALREADY AVAILABLE.]

10.1 Summarize the basic elements of the Monitoring and Evaluation plan, including key activities and associated budget:

The monitoring and evaluation of the present operation will be carried out through periodic assessments of progress reports. The Bank (INE/RND) will produce three reports.

**Initial report.** Within 20 business days of all individual contracts being signed, the Bank (INE/RND) will present a report which includes: (i) the methodology and timetable proposed by all individual consultants, and (ii) progress in setting up the Steering Committee.

**Midterm report.** Due at 4 months after initiation of the project activities, the mid-term report will detail: (i) how close the consultants are following the workplans, (ii) adjustments that were deemed necessary, (iii) overall achievement of project objectives and timetable.

**Final report.** A final report will be presented by the Bank (INE/RND). This report would: (i) summarize the project accomplishments, (ii) principal output, and (iii) lessons learned.

10.2 Exceptions to Bank policies:  
None

10.3 Contractual Clauses:  
None

Terms of Reference Doc#( IDBDocs): [36149965](#)

(\*) All documents saved in IDBDocs must have read permissions granted to the group DOCS Users