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COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS)

May 20, 2020 – May 20, 2025

Amended on: September 22, 2022

APPROVED FOR PUBLIC RELEASE

Acronym List

ACICOB	Association of Indigenous Communities for Forest Conservation in Ucayali
ACONAMAC	Association of Ashaninka Native Communities from Masisea and Calleria
AD	Alternative Development
ADEX	Exporters Association
AECID	Spanish Agency of International Cooperation for Development
AIDSESP	Inter-Ethnic Association for Development of the Peruvian Jungle
APPCACAO	Peruvian Association of Cacao Producers
CAPECO	Peruvian Chamber of Construction
CDCS	Country Development Cooperation Strategy
CLA	Collaborating, Learning and Adapting
CONAP	Confederation of Amazon Nationalities of Peru
CONFIEP	National Confederation of Private Enterprise Organizations
CORAH	Special Project for Coca Reduction and Control in the Upper Huallaga
COVID-19	Coronavirus Disease 2019
CSO	Civil Society Organization
DEVIDA	National Commission for Development and Life without Drugs
DIS	Development Information Solutions
DO	Development Objective
FECONALICM	Frontier Federation of Native Communities from Lake Imiria and Chauya-Masisea
FECORITAYB	Federation of Communities from the Tapiche and Blanco Rivers
FSN	Foreign Service National
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIS	Geographic Information System
GIZ	German Corporation for International Cooperation
GOP	Government of Peru
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
INL	International Narcotics and Law Enforcement
INTERPOL	International Criminal Police Organization
IR	Intermediate Result

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IUU	Illegal, Unreported and Unregulated
LAC	Latin America and the Caribbean
LEAF	Lowering Emissions by Accelerating Forest Finance
LGBTIQA+	Lesbian, Gay, Bisexual, Transgender, Intersex, Queer/Questioning, Asexual and more
MEL	Monitoring, Evaluation and Learning
MIDAGRI	Ministry of Agriculture Development and Irrigation
MINAM	Ministry of Environment
MOU	Memorandum of Understanding
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization
OE	Operating Expenses
OECD	Organization for Economic Cooperation and Development
ONDCP	Office of National Drug Control Policy
ORPIO	Regional Organization of Indigenous Peoples of the East
OSINFOR	Organism for the Supervision of Forest and Wildlife Resources
PMP	Performance Management Plan
PNP	Peruvian National Police
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SECO	Swiss State Secretariat for Economic Affairs
SERFOR	National Forest and Wildlife Service
SIDA	Swedish International Development Cooperation Agency
SpO	Special Objective
TIP	Trafficking in Persons
U.S.	United States
UNCHR	United Nations High Commissioner for Refugees
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development
USG	United States Government
VRAEM	Valley of the Apurimac, Ene and Mantaro Rivers

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PREFACE FOR AMENDMENT SEPTEMBER 2022

USAID/Peru's CDCS was originally approved on May 20, 2020. In 2022, the Mission completed a mid-course strategy review, which evaluated the consequences of major changes in the country context (including the impact of the COVID-19 pandemic and evolving political scenario), the U.S. Administration's realignment of USG priorities and strategies, and other findings to propose several amendments that were incorporated into the CDCS on September 22, 2022:

- The CDCS Goal was modified from "Peru more effectively leads and finances shared strategic priorities through increased capacity to combat illicit activities, corruption and over-exploitation of natural resources" to "Peru more effectively leads and finances shared strategic priorities through increased capacity to combat illicit activities and corruption, empower marginalized populations, and address climate change" (narrative on page 15).
- Development Objective 1 was modified from "Peru expands economic and social development in post-eradication regions to sustain coca reductions" to "Peru expands sustainable economic and social development in prioritized areas affected by illicit coca production" (pages 16 to 22).
- Development Objective 2 was modified from "Peru increases public integrity to reduce corruption" to "Peru improves democratic systems for transparent, inclusive, and accountable governance" (pages 23 to 30).
- Development Objective 3 was modified from "Peru strengthens sustainable environment and natural resource management to expand economic and social benefits" to "Peru increases climate resilience" (pages 31 to 37).
- Special Objective 4 "Peru strengthens socio-economic integration of Venezuelan migrants and refugees" was added (pages 38 to 43).

The amended CDCS Results Framework is depicted on page 5. Other section in the document with text significantly updated is the Country Context (pages 6 to 9).

I. EXECUTIVE SUMMARY

USAID's Goal in Peru for the strategy period 2020 - 2025 is that **Peru more effectively leads and finances shared strategic priorities through increased capacity to combat illicit activities and corruption, empower marginalized populations, and address climate change**. While remarkable economic and social progress in the last two decades has elevated Peru's position as a trusted U.S. partner in the region, the country still needs to address major limitations in government effectiveness, corruption control, and legal security to avoid the possibility of reversing past development gains. Reforms to date have not remedied Peru's historic economic and social inequalities, and the country struggles to extend the benefits of growth to rural and marginalized populations, including Indigenous communities. The COVID-19 pandemic and its aftermath have aggravated long standing structural challenges. In addition, population inflows from 1.5 million Venezuelan migrants strain the Government of Peru's (GOP) ability to provide basic services. The GOP commitment to reforms must be paired to an increased capacity to effectively implement public policies to address legacy challenges, especially in rural areas with incipient state presence, while pursuing the country's ambitious international climate goals. To help Peru consolidate its development trajectory and avoid backsliding, USAID will support Peru's capacity to address bilateral policy priorities shared between Peru and the United States.

For Peru to manage persistent last-mile challenges, the GOP needs to significantly increase budget allocations and effectively address the threats posed by illicit drug trafficking, corruption, deforestation, and environmental crimes -- activities in many cases associated with transnational criminal organizations -- which currently present a risk to peace, security and climate-resilient development. Peru's civil society must increase its participation in the definition of local development priorities and the oversight of public investment, while the private sector must expand investments in business endeavors that create licit and sustainable economic opportunities. To advance towards this end-state, the Mission will pursue three Development Objectives (DO) and one Special Objective (SpO): Peru expands sustainable economic and social development in prioritized areas affected by illicit coca production (DO1); Peru improves democratic systems for transparent, inclusive, and accountable governance (DO2); Peru increases climate resilience (DO3); and Peru strengthens socio-economic integration of Venezuelan migrants and refugees (SpO4).

The Goal and DO statements emphasize Peru's leading role and responsibility to address its development challenges. USAID's Country Roadmap for Peru portrays important strengths including: stable economic policies, commitment to free trade, persistence of democratic freedoms, and strong national media and civil society. The roadmap also highlights areas in which Peru lags, in particular: presence of corruption, deep-rooted social group inequality, persistent gender gaps, limited government effectiveness, and limited exports sophistication. Two important factors not reflected in the roadmap, but aligned with key U.S. Government interests, are: (1) the threat posed by illicit drug trafficking, as Peru is the world's second-largest cocaine producer; and (2) the limited effectiveness of conservation and management efforts in the face of environmental crimes, especially in the Amazon where increasing

deforestation is a major source of greenhouse gas emissions. Although social inclusion remains a prevalent issue affecting ethnic and racial groups and women, Peru is rated as having minimal threats to religious freedom per the International Religious Freedom report.

Given Peru's comparative progress and sizable domestic resources, USAID's role has shifted from directly financing support for targeted services and populations to providing focused technical assistance for the GOP and other local actors to better execute their own resources. To advance the CDCS goal, the Mission will pursue a "Vision for a Strategic Partnership" that emphasizes new roles for USAID/Peru to *engage, connect and support Peruvian leaders in government, private sector and civil society to mobilize resources, transform systems and institutionalize reforms* that address mutual challenges. Peru's government, private sector and civil society have responded positively to consultations and initiatives setting forth USAID's evolving role. The GOP already funds the majority of the resources dedicated to shared goals and desires to continue the transition from being an assistance recipient to a full-fledged partner that provides clear development and regional leadership.

Under the strategy, DO1 will assist the GOP's Counternarcotics Development Agency, DEVIDA, to adapt and extend a joint, successful integrated alternative development approach into more challenging areas where most illicit coca is grown in Peru, such as the Valley of the Apurimac, Ene and Mantaro Rivers (VRAEM). The objective is that the GOP consolidates its capacity to provide rural Peruvians in priority areas with environmentally sustainable, licit economic alternatives, thereby enabling farmers to permanently transition away from illicit coca cultivation, reducing inputs for drug trafficking organizations, and enabling increased private sector and market-led activity. Activities will support zero-deforestation and climate resilient development strategies.

DO2 will take a systems strengthening approach to support governmental institutions, civil society organizations, and private sector partners to engage with each other in the pursuit of solutions to Peru's governance issues. USAID will support the objectives of Peru's National Anti-Corruption and Integrity Strategy, derived from Organization for Economic Cooperation and Development (OECD) standards, including work against land trafficking. USAID will partner with selected government accountability and oversight institutions to help the GOP align policies and reforms across private and public entities for effective and transparent public investment. USAID will work with NGOs and private actors that target social change to uphold public integrity standards and reject corrupt practices. USAID will also support efforts to prevent and address trafficking in persons, and protect the rights of marginalized groups, including Amazonian Indigenous Peoples.

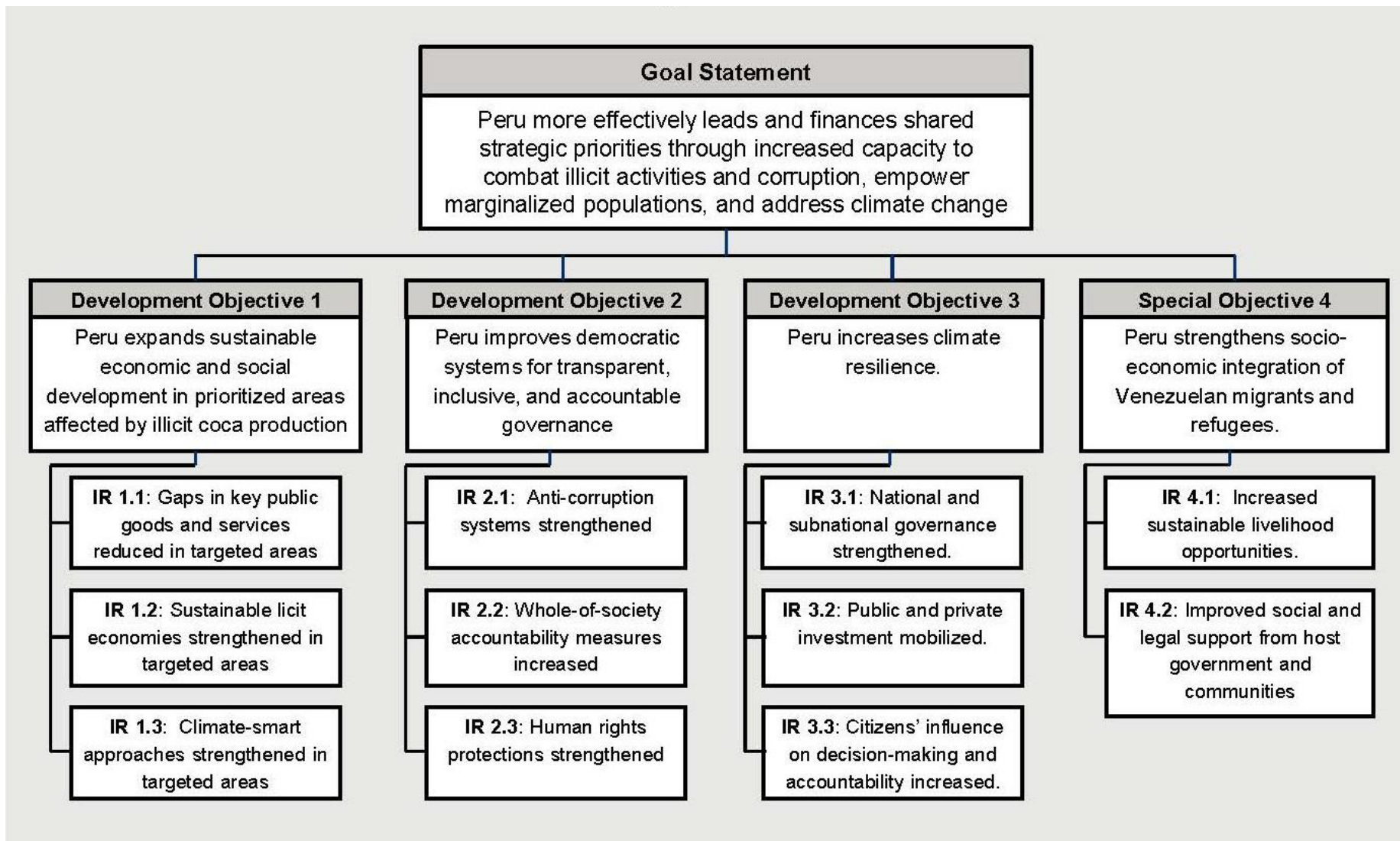
DO3 will apply USAID's 2022-2030 Climate Strategy to help the country oversee, manage and enhance its climate and environment activities. USAID will strengthen government capacities in the environment sector to manage Peru's vast Amazon and Andean resources, bridging the gap between government and private sector actors to mitigate and adapt to the effects of climate change through sustainable financing, environmental management, and environmentally sustainable economic growth. USAID will improve the GOP's capacity to enforce laws against environmental crimes, in particular illegal logging, mining, and land

trafficking, and will mobilize public and private resources to support sustainable, profitable growth that also protects natural resources. USAID will support civil society, especially Indigenous groups, to improve their participation in planning and decision-making regarding infrastructure and extractive development, while increasing effective oversight to improve accountability of the GOP and other actors.

SpO4 recognizes the unique development challenges posed by Venezuelan migration in Peru, and establishes a strategic framework for Peru and the U.S. to address these challenges on a bilateral basis. USAID will provide targeted assistance to enable the long-term integration of Venezuelans into the Peruvian economy, via insertion into the formal workforce or through small business ownership. USAID will also assist the GOP in its efforts to create an environment that facilitates migrant integration into Peruvian communities; including support to streamlined and effective pathways to recognized legal status; implementation of legal and regulatory changes to remove barriers to employment; and mechanisms to increase equitable access to services, in collaboration with public officials, private sector, and community groups.

USAID's strategy contributes significantly to and is closely aligned with the following three goals in the U.S. Embassy Integrated Country Strategy for Peru: (1) the United States and Peru strengthen mutually beneficial economic, educational, and cultural ties; (2) Peru partners with the United States to create a more secure and equitable country and region; (3) Peru is a global leader in advancing climate ambition and environmental sustainability; and, (4) Peru strengthens inclusive democratic governance at home and abroad. These goals reflect the priorities of the U.S. National Security Strategy and the Department of State and USAID Joint Strategic Plan (2022-2026). The CDCS also directly supports other key agency policies, in particular the USAID Climate Strategy 2022 – 2030, the USAID Locally-Led Development mandate, and the USAID Policy on Promoting the Rights of Indigenous Peoples.

Results Framework Diagram – Peru CDCS 2020 – 2025



II. COUNTRY CONTEXT

Overview: Peru's progress over the first two decades of the century has been considered a success story of country advancement and sustained USAID cooperation. Peru gained the status of a stable force and reliable U.S. partner in a region with persistent foreign policy and development challenges. Poverty fell from 55 percent in 2001 to 20 percent before the COVID-19 outbreak. Trade with the United States more than doubled in the first 10 years of the U.S.-Peru Trade Promotion Agreement. Government capacity improved in many areas, enabling the country to plan, finance, and implement its own development solutions in different sectors. The nation's aspiration to join the Organization for Economic Cooperation and Development (OECD) drove significant reforms in areas related to economic growth, public governance, anti-corruption, human capital, and environment; and in 2022 the OECD approved Peru's Accession Roadmap¹

However, unsolved development challenges have brought about economic deterioration, political instability, and social unrest in recent years, creating the risk of Peru's backsliding from its hard-won progress. The COVID-19 pandemic had in Peru one of the most devastating impacts worldwide, both in human losses (more than 213,000 deaths or 645 per 100,000 inhabitants) and socio-economic deterioration (GDP fell 12% and poverty increased by 10% in 2020). The pandemic impacted the GOP's budget and affected its priority setting, while posing enormous challenges to project implementation and service provision. The constriction in the economy encouraged many to resort to illicit activities to improve livelihoods.

The pandemic's effects exacerbated deeply rooted legacy challenges that continue to hinder the consolidation of Peru's development achievements. Reforms have not remedied the country's persistent corruption, historical social and economic inequalities among minority ethnic and racial groups, as well as women, while citizen insecurity persists, including alarming femicides.² Peru struggles to diversify its predominantly extractive economy and benefit broader portions of the country, maintaining a longstanding divide between Peru's three distinct geographic regions: the relatively prosperous capital and coastal regions (west), and the underdeveloped highlands (central) and jungle regions (east). Transnational criminal organizations exploit weak institutions and lack of state presence in remote areas, where they operate multiple billion-dollar illicit industries, from production of illicit drugs to illegal logging and mining, and human trafficking. Illicit economies and weak governance threaten Peru's vast Amazon forests, comprising 60 percent of its territory, the loss of which is the country's main source of greenhouse gas emissions. Andean waters are also affected by climate change, impacting populations and economic activities in urban and rural areas, and increasing natural disaster risks.

Peruvians have endured extreme political instability in recent years, compounded by impacts of the pandemic, and a weak political party system. Peru has had six presidents since 2016. Peru needs to regain political stability and implement sound governance practices to improve integrity, restore government expertise and advance key reforms,. Sub-national governments have also been prone to corruption and weakened service delivery. On the positive side, the

¹ See Peru's OECD accession roadmap on: <https://www.oecd.org/latin-america/countries/peru/>

² Peru's National Institute of Statistics and Informatics [reported](#) 141 femicides in 2021, up from 84 in 2015.

Ministry of Economy and the Central Reserve Bank have maintained the key tenets of sound macroeconomic governance, while autonomous entities such as the General Comptroller have kept oversight functions ongoing.

Peru's economic growth has slowed down to an estimated 2.9 percent in 2022, from an average 5.0 percent between 2000 and 2018, impacted by the pandemic, internal political instability, and global economic volatility. This is also a sign of Peru's vulnerability to the "middle-income trap," where developing countries can fail to address structural institutional shortcomings that prevent continued economic progress. The arrival of 1.5 million migrants fleeing Venezuela's humanitarian crisis further strains the GOP's ability to provide basic services to its population, including health and education, and it is perceived by many citizens to cause a displacement of Peruvians in the labor market and a rise in crime, leading to an increasing concern about xenophobia.³

USAID Country Roadmap: Peru's mostly positive but still complex development scenario is reflected in the USAID Country Roadmap (Annex A), which tracks 18 development indicators from international data sources. Peru is among the countries located in the northeast quadrant in the roadmap scatterplot, which reflects Peru's moderately strong ability to manage its own development journey. Peru's strengths evidenced in the roadmap metrics include: stable economic policies; commitment to free trade; persistence of democratic freedoms; strong national media and civil society; and sustained health and education coverage (though quality varies greatly). The roadmap also highlights areas in which Peru is behind its peers, in particular: presence of corruption; deep-rooted social group inequality⁴ and persistent gender gaps; limited government effectiveness; and insufficient exports sophistication.

While the Mission concurs with the moderately high commitment and capacity ratings, several metrics require additional contextual information for a full understanding of Peru's highly varied sub-national picture, especially in remote areas with limited or weak state presence. In addition, Peru's capacity is significantly limited in areas relevant to mutual policy interests that are not fully reflected in the roadmap, including drug trafficking, and threats to the environment and natural resources.

Analyses from the Office of National Drug Control Policy (ONDCP), among others, document the extent and impact of narcotrafficking in the country. Peru remains the world's second-largest cocaine producer after Colombia, with estimated coca cultivation having increased substantially since the COVID-19 pandemic. On corruption, the USAID Country Roadmap shows Peru ranking poorly on the metric measuring the prominence of corruption among government officials. In addition, Peru ranks below the Latin America average on two integrity indices not included in the USAID Roadmap -- the Heritage Foundation government integrity index (2022),

³ In a 2021 [survey from UNCHR and the Universidad del Pacifico](#), 70% of respondents believe that Venezuelan displacement has a negative impact in Peru, including greater citizen insecurity and crime (63%) and increased informality and fewer job opportunities (39%).

⁴ Amazon Indigenous groups have been traditionally discriminated against and disengaged from the Peruvian state, enduring greater conditions of exclusion and inequality compared to non-Indigenous populations (e.g., poverty, illiteracy, access to education, health, job opportunities, and political participation) with women suffering greater disadvantages (USAID/Peru 2019 Gender Analysis). These groups are priority targets for DO 3 and DO 1. Other groups that endure persistent discrimination and social exclusion are highland Indigenous groups in the Andes and Afro Peruvians along Peru's south-central coast.

and Transparency International corruption perception index (2022).

Peru achieves positive marks on the USAID Country Roadmap environmental policy metric, consistent with the country's efforts of conservation of protected areas and management of natural resources, but insufficient public resource allocation in the face of increasing environmental crimes in remote areas, as well as overexploitation and unsustainable planning. Annual forest loss in Peru substantially increased from 79,830 hectares (ha) in 2002 to 137,976 ha in 2021, while reforestation efforts achieved 38,563 ha in 2011 but only 15,295 ha in 2021. Forest loss in 2020 was the highest on record since 2001, at 203,272 ha⁵. This loss has a direct impact in climate change, as Peru's main source of greenhouse gas emissions is land use, land use change and forestry⁶. While the GOP's environment and natural resources management capacity has improved since environmental agencies were created a decade ago, and there has been notable progress on biodiversity and habitat protection, significant improvement is still needed across all sectors and levels of government, notably on legal and regulatory environmental enforcement.

Strategic Alignment: Peru's and USAID's priorities are very closely aligned. Curtailing multi-billion dollar illegal industries, addressing climate change, achieving inclusive and sustainable growth, and reinforcing Peru's efforts as an emerging regional leader, are among the most important U.S. foreign policy objectives in Peru. These interests are reflected in the U.S. Embassy's Integrated Country Strategy in Peru, which prioritizes the following four goals to guide the USG's engagement:

1. The U.S. and Peru strengthen mutually beneficial economic, educational, and cultural ties, partnering in efforts to achieve more inclusive and sustainable economic growth, and enhance educational and cultural linkages.
2. Peru partners with the U.S. to create a more secure and equitable country and region, building Peru's capacity to deter criminal and security threats, including from transnational criminal organizations, and enhance citizen security and rule of law.
3. Peru is a global leader in advancing climate ambitions and environmental sustainability, with enhanced institutional capacity to address climate goals, manage natural resources, and address environmental crimes.
4. Peru strengthens inclusive democratic governance at home and abroad, reducing corruption, increasing transparency, expanding civic engagement, and expanding protections and opportunities for marginalized populations.

USAID priorities coincide with those of the GOP's national policies⁷, which include alternative development in areas affected by narcotrafficking (axis 6); sub-national governments modernization, meritocratic civil service and integrity in public service (axis 5 and 6); climate change mitigation and adaptation, addressing environmental impacts, and promoting biodiversity (axis 4); and the National Migration Policy. These priorities are also fundamental to advancing Peru's goal for accession to the OECD. Peru's National Strategy on Public Integrity and Anti-Corruption, National Counternarcotics Strategy, National Environmental Policy,

⁵ Source: Peru's National Institute for Statistics and Informatics, [Yearbook of Environmental Statistics 2022](#).

⁶ See Peru's [National Inventory of Greenhouse Gases](#).

⁷ Peru's [Supreme Decree No. 042-2023-PCM](#) approving the GOP's General Policy for the current administration.

Nationally Determined Contributions, and National Competitiveness and Productivity Plan demonstrate Peruvian-led development in areas of mutual interest.

The Mission consulted with the GOP during the CDCS initial design process and the mid-course amendment, including the Ministry of Foreign Affairs, the Peruvian Agency for International Cooperation, and ministries and agencies responsible for the sectors prioritized in the strategy. GOP partners welcomed how the new strategy proposes to change the relationship with USAID from a traditional donor-recipient dynamic to a partnership, sharing our prioritization of foreign policy priorities, and they conveyed Peru's desire to take leadership and invest its own resources in objectives that USAID will jointly support. These consultations have confirmed the alignment of priorities and a desire to advance the envisioned partnership.

III. STRATEGIC APPROACH

Background: USAID's presence in Peru for six decades has contributed to significant development gains in poverty reduction and food security, basic infrastructure and national roads, the reestablishment of key democratic institutions after the fight against terrorism, and innovations for better health and education services to meet citizens' needs in remote parts of the country.

As Peru's capacity increased and successive governments charted a clear direction for the country's economic and social development, USAID gradually shifted its model during the last strategy (2012-2020) from directly implementing projects to help Peru meet citizens' basic needs to a more balanced partnership, valued for supporting Peru in implementing its own vision. This transition process began accelerating in 2017 and involved several major adjustments to the portfolio:

- Phasing out from broad sector support (Education and Health) and significantly adjusting programs and activities (in Governance and Environment sectors) reflecting Peru's improvements in these sectors and responding to USG foreign policy priorities.
- Redefining the Mission's engagement with the GOP to employ modalities consistent with Peru's development progress and increased Peruvian public resources (e.g., a \$480 million 2018 USAID agreement with Peru's Ministry of Economy and Finance to invest domestic resources in alternative development areas).
- Tapping opportunities to increase leverage of private sector resources for priority objectives, building on results from prior investments.

This CDCS seeks to continue and deepen the transition process started in the prior strategy, while addressing challenges arisen in recent years as described in the context section. The strategy maintains the focus on three development sectors -- Alternative Development, Governance, and Environment -- given their core relevance to address last-mile challenges to Peru's development transition and mitigate risks of backsliding; and adds as a special objective the integration of Venezuelan migrants and refugees, identified as a key policy priority for both countries. The new strategic approach also defines the most appropriate roles for the Mission, as well as the modalities that best suit Peru's level of capacity and commitment and that reinforce the U.S. partnership with Peru to address issues that represent fundamental policy priorities for both countries.

Strategic Vision: The vision is based on a close examination of where USAID can best capitalize on its unique advantages and strengths compared to other donors and USG agencies. USAID/Peru's Vision for a Strategic Partnership is: ***USAID will engage, connect and support key Peruvian actors in government, private sector and civil society to reinforce their roles as change agents who mobilize resources, transform systems, and institutionalize reforms that will provide all Peruvians a prosperous, secure and climate resilient future.*** USAID/Peru has reframed its relationship in Peru to catalyze Peruvian leadership, expertise, and resources to confront shared challenges and promote mutual benefit. This vision is fully supportive of the Agency's [localization vision and approach](#).

Distinct from the past, this vision stresses the leadership of Peruvian partners and the transformational, systemic change required to sustain co-investments with Peru. USAID/Peru seeks to realize this vision by closely applying the following principles that reflect the Mission's Strategic Transition approach and guide its engagement with Peruvian partners:

1. Directly support U.S. national security interests and top policy priorities in Peru, including crime, corruption, inclusion, and climate, complementing diplomatic engagement.
2. Invest in shared priorities where Peru assumes leadership and invests its own resources, i.e., USAID investment follows Peru's leadership and money.
3. Target GOP and local partner capacity to close remaining gaps, implement reforms, execute budget, and mobilize national resources.
4. Convene and connect key actors beyond classic program implementation, and catalyze local partners, including civil society, as agents driving priority reforms and development goals.
5. Actively pursue private sector engagement across all interventions not only as resource partners, but also to advance policy dialogue, adapt international best practices, and promote innovation and locally generated development solutions.
6. Engage other donors to advance reforms, support alliances, and implement delegated cooperation programs.
7. Foster learning, evidence-based decision-making, performance monitoring and adaptation, and systematic transfer of experience, methodologies and knowledge management to local actors.
8. Expand flexible procurement tools for adaptive management, collaboration, localization, co-design, and results-based processes.
9. Partner with the GOP to support its goal of expanding Peruvian-led technical trilateral and triangular cooperation.
10. Capitalize on the expertise of USAID/Peru's Peruvian professional staff (FSNs) to engage Peruvian counterparts, including, when appropriate, assignments in GOP and other Peruvian entities.

USAID/Peru's regional platform will continue to play a key supplementary role in reinforcing this vision, responding quickly to cross-border challenges while continuing to provide regional services for Agency needs. This regional capacity has been critical to providing a range of emergency, transition, and economic integration assistance to support Venezuelan migrants in Peru and nearby countries.

New Modalities: This CDCS applies new tools to leverage USAID's reputation, long-term relationships and technical preeminence to generate lasting change as USG financial investments decline.

Redefining our Relationship: USAID has evolved from a traditional donor-recipient relationship with the GOP to a collaborating partner. As per the stated vision and principles, USAID will invest in shared priorities where the GOP provides leadership and resources. These GOP leadership commitments may be memorialized in Memoranda of Understanding (MOU), implementation letters and other instruments, and reinforced with USG diplomatic influence, synergies with other donors, and the participation of civil society organizations (CSOs). USAID will use more flexible procurement processes and collaborative co-creation to jointly develop activities with participation of the GOP and other partners for more sustainable changes. The Mission will emphasize specialized technical assistance to increase the capacity of key government entities and partners. The Mission will take advantage of opportunities for its staff to provide non-project assistance through direct technical advice to Peruvian counterparts, heavily relying on the expertise of the FSN workforce. USAID will convene and support key thought leaders, incubate new models, and foster research, learning and innovation to advance, incentivize and institutionalize change.

Development Finance: The GOP has substantially increased its revenues and improved its overall fiscal management. On the other hand, development investment in areas vulnerable to illicit activities and the impacts of climate change must increase over time, along with the GOP's implementation capacity, to avoid undercutting Peru's progress in the prioritized sectors. In addition, transparency and accountability is a major concern, in particular in public sector procurement and investment. USAID will continue to support the GOP to increase its capacity for effective public financial management to execute budget resources addressing shared development challenges, including the GOP's National Policy for Modernization of Public Management. USAID will support central and sub-national government entities to improve allocation and execution of public funds to address priority needs. USAID will help partners unlock government investment in vulnerable areas. USAID will also work with the GOP, private sector and civil society to improve Peru's fiscal transparency and accountability to include corruption risk management in procurement processes, corruption prevention, and unlocking transparent and accountable public spending across all prioritized sectors.

Private Sector Engagement and Localization: USAID will achieve its objectives by engaging with key Peruvian actors in the private sector, in civil society, and in the communities where we work. To deepen partnerships with the private sector, USAID will expand the work started with existing alliances in support of value chains, financial and connectivity services, community forest management, and research and development. The Mission will seek to structure targeted corporate investment platforms, promote blended finance to co-join public and private monies, and integrate investors interested in biodiversity, climate and value chain activities to reduce risk and increase incentives for private investment. USAID will collaborate with the GOP to convene the private sector to foster policy dialogue, inform resource allocation around key development issues, and facilitate private sector-led growth, by building on past experiences where private and government sector parties have identified obstacles and developed solutions to promote an emergent industry, such as sustainable forestry. Going forward, these efforts will be scaled and replicated by expanding private sector collaboration in anti-corruption issues and other areas. Strategy-wide, USAID will promote locally-led development by engaging with existing and emergent local organizations as partners through the program cycle, from initial

concept to co-design through activity implementation. Ambitious targets for direct awards to local partners are part of a more comprehensive effort that will draw on local knowledge, skills and resources, and invest in local programmatic leadership. This will require USAID to partner with national, subnational, local and Indigenous entities. USAID will roll out flexible and agile procurement arrangements to facilitate local partner engagement, and foster evidence-based, innovative solutions to locally-defined development issues.

Milestones: USAID/Peru anticipates several milestones marking significant progress, transitions or achievements towards the goal and objectives of the CDCS and the relationship between the Mission, the GOP and other partners in the country:

- USAID/Peru will become a primarily partnership-focused Mission by 2025, leveraging private and public resources, and tapping financial markets to invest in social, economic and environmental priorities.
- USAID/Peru will engage influential GOP entities and Peruvian actors, beyond sectoral counterparts, to finance development priorities and shape resource allocation, such as the Ministry of Economy and Finance. In parallel, the Mission will engage more actively with business associations and CSOs to influence policy dialogue and increase external government oversight. Intersectoral Memoranda of Understanding, agreements and alliances will be established with national and regional actors for each DO by 2022.
- USAID/Peru will deepen the role of local staff not solely as program managers but as technical advisors, thought leaders, conveners of other development and policy stakeholders, innovators and private sector partners, and will invest in their professional development to do so. A professional leadership development and coaching platform to support new staff roles has been launched in 2021.
- USAID/Peru will employ procurement reform priorities to increase the ability for more flexible procurement and adaptive management, collaboration, localization, co-design, and results-based processes that enable counterparts and USAID together to devise relevant and innovative approaches. At least 50 percent of priority procurements will use a Statement of Objective document or similar approaches to increase co-design and collaboration with partners by 2022.
- USAID/Peru will take advantage of its comparative technical and administrative strength to join resources with other donors, such as Canada and Norway, which granted environment funds to USAID to expand ongoing projects. New delegated cooperation agreements with other donors to accelerate synergies and impact are expected by 2023.

In the four priority sectors, USAID anticipates a host of milestones marking greater capacity of targeted partners and counterparts:

- In Alternative Development (DO 1), by 2023 USAID will transition some activities to new and challenging areas, such as the Valleys of the Apurimac, Ene, and Mantaro Rivers (VRAEM), while consolidating past efforts in San Martin, Huanuco, and Ucayali regions. USAID will also continue to support GOP counternarcotics counterpart DEVIDA as it leads government interventions to combat coca/cocaine production and implement alternative development in more complicated and isolated coca-producing regions.
- As existing private sector alliances end between 2022 and 2024, the Mission and DEVIDA

will engage private sector firms to establish new commitments to invest tens of millions of dollars in priority regions, prioritizing engagement of Peruvian partners, support from the GOP, and sustainability of results.

- To address anti-corruption (DO 2), Peru will advance alignment with OECD Integrity Review standards, including compliance with openly competitive public bidding processes and adoption of integrity pacts by 25 national and international private firms seeking business with the government.
- Peru will report advances in the 13 compliance standards in the National Plan for Public Integrity and Anti-Corruption on transparent public procurement, access to information, and risk management by 2022.
- In the Environment sector (DO 3), the GOP and sub-national environmental entities will more effectively control the management and oversight of forestry concessions and increase enforcement of environmental laws to reduce illegality affecting Amazon forests. To this end, the GOP will start operation of a chain of custody system for legal timber in key Amazon corridors by 2024.
- The GOP will foster investment in sustainable natural resources management, with GOP-managed funds for ecosystem services payments in prioritized watersheds efficiently invested by 2025, with \$100 million in investments reaching the implementation phase by 2027. To mobilize private sector resources, a new joint investment platform for conservation businesses will become operational in 2021. These efforts will leverage \$100 million in private investment by 2027.
- The GOP will more effectively deter illegal, unreported and unregulated (IUU) fishing of near-shore and deepwater fleets, and will offer incentives for formalization to artisanal and small-scale fishers.
- For the Special Objective (SpO 4), proactive efforts by the GOP to support the socio-economic integration of Venezuelan migrants and refugees will increase the number of migrants with legal status and strengthen access to health services and education opportunities.

IV. RESULTS FRAMEWORK NARRATIVE

A. GOAL STATEMENT AND NARRATIVE

Our CDCS Goal -- ***Peru more effectively leads and finances shared strategic priorities through increased capacity to combat illicit activities and corruption, empower marginalized populations, and address climate change*** -- recognizes Peru's capacity and commitment to conceive and implement its own development solutions, as one of USAID's advanced development partners. USAID's engagement therefore focuses on enhancing the country's capacity to address specific strategic challenges of critical importance for both Peru and the United States.

In the last 20 years, Peru has strengthened its laws, regulations, and policies to enable strong economic growth, protect democratic liberties, and support climate goals. Peru has made evident its commitment in favor of responsive governance and decentralized democratic institutions. Nonetheless, to consolidate and sustain gains, and avoid backsliding, the GOP must strengthen currently fragile institutions, especially to ensure effective government presence in remote areas where illicit activities thrive, including narco trafficking and environmental crimes of transnational criminal organizations, while at the same time taking effective actions in front of climate change.

The CDCS Goal reflects the GOP's commitment to addressing these challenges and promoting fully inclusive development for all Peruvians, as well as migrants and refugees. This GOP commitment is evidenced by policy statements, government actions, and budget allocations that exceed international cooperation support for such priorities. However, government implementation capacity, as highlighted in the Goal statement, must continue to improve at national and sub-national levels for Peru to secure licit and climate-resilient development in vast areas hindered by insufficient public investment and basic services. The Goal is fully consistent with the "Vision for a Strategic Partnership" described in Section III, which provides a broad framework and guidance to advance the CDCS.

Likewise, persistent corruption and historic social inequalities negatively affect Peru's political stability and investment climate. Peru must continue to undertake decisive measures to increase government effectiveness and improve public integrity; otherwise, deteriorating citizen confidence in the democratic system could undermine Peru's ongoing transformation and exacerbate ongoing social conflicts, with increased strains on overtaxed public service systems due to historical service gaps, recent migration, and lack of institutional conditions for inclusive growth.

The Mission will advance towards the CDCS Goal by contributing to the achievement of the three Development Objectives (DOs) and one Special Objective (SpO) described below. Each DO statement places Peru -- including the GOP, private sector and civil society -- as the leading and responsible party for achieving high-level development outcomes, with USAID playing a targeted supporting role. The objectives concentrate on development outcomes critical for Peru's trajectory, while advancing U.S. foreign policy priorities and preventing backsliding in

Peru's progress. The proposed IRs, sub-IRs, modalities and approaches reflect our proposed transition in the Mission's roles and business model, to assist Peru address last-mile development challenges in support of our mutual interests.

The CDCS amendment in 2022 also elevates the Mission's strategic alignment with key USG and Agency policies, in particular: (a) the USAID Climate Strategy 2022- 2030, as reflected not only in the updated language of the Goal, DO and IR statements and the continued programming of climate funds, but also in the synergistic work of all DO teams to support Peru's climate efforts; (b) the Locally-Led Development mandate (a.k.a. Localization Policy) supporting sustained engagement with key Peruvian actors in government, civil society, and the private sector; and (c) the USAID Policy on Promoting the Rights of Indigenous Peoples, reflected in the increased consideration of Indigenous peoples' rights, priorities and interests across the Mission portfolio.

B. DEVELOPMENT OBJECTIVE RESULTS STATEMENTS AND NARRATIVES

DEVELOPMENT OBJECTIVE 1 (DO1)

DO1, Peru expands sustainable economic and social development in prioritized areas affected by illicit coca production, supports the CDCS Goal by advancing Peru's capacity to lead and finance the sustainable development component of the fight against illicit drug trafficking. This is a Peruvian government priority, a U.S. foreign policy priority, and a necessary condition for Peru's aspirations to join the OECD. Besides supporting GOP illicit coca eradication, DO1 also strengthens the capacities of selected government ministries and other agencies, the private sector, and community groups to support and sustain the growth of rural economies, provide employment opportunities, and increase rural household incomes and their access to basic social services.

Peru remains the world's second-largest cocaine producer after Colombia. The results of GOP-USG interventions have shown positive results in reducing coca production and providing sustainable new economic opportunities to rural communities and households. Integrated counternarcotics and inclusive rural development interventions have shown that when jointly implemented, manual eradication (implemented by the GOP with support from State Department's International Narcotics and Law Enforcement (INL) Section) and subsequent economic and social development programs in post-eradication areas (implemented by the GOP's counternarcotics agency DEVIDA with support from USAID) have enabled Peru to sustainably reduce coca cultivation and assist rural households to improve their food security and overall incomes.

This result was remarkable in Peru's San Martin region, where coca cultivation was reduced from 23,000 hectares to 2,000 hectares enabling sustained rural economic and social improvement, deemed the "San Martin Model"⁸ by the GOP. Similarly, the former narco-terrorist haven of Monzon Valley in the Huanuco region saw coca cultivation drop by 97 percent with combined eradication and increased support for inclusive rural economic and social development programs. In contrast, in areas where eradication was applied in isolation without

⁸ UN Office on Drugs and Crime, *El Modelo de Desarrollo Alternativo de la Región San Martín*, 2011.

economic and social development initiatives, coca reductions were not sustained, and illicit coca hectareage returned to pre-eradication levels.⁹

This evidence supports the basic approach of Peru's counternarcotics strategy of including integrated and inclusive economic and social development as an indispensable component, in collaboration with eradication and law enforcement interventions. Together these interventions reduce and sustain coca and cocaine production decreases, as well as combating rising food insecurity and poverty which contribute to political instability in rural areas.

This comprehensive inclusive rural development approach, supported by DO1, is reflected in Peru's National Counter-Narcotics Policy to 2030¹⁰, which focuses integrated interventions in areas defined as Strategic Intervention Zones. USAID will continue to support the GOP's leadership and financing of targeted interventions in priority areas, closely coordinating with DEVIDA and other GOP agencies to ensure sustained effectiveness of economic and social development activities in rural areas.

Development Hypothesis and Description: If (a) Peru's national and local public institutions increase their capacity and skills to effectively respond to community economic and social priorities, deliver basic public services and improve enabling business conditions in target rural areas, and (b) key private sector companies strengthen sustainable licit economies in target regions through new investment in cacao, coffee, and other value chains, as well as financial and technical services; and (c) climate-smart approaches are adopted to help mitigate deforestation, reduce carbon emissions and adapt to climate change, then communities and families can earn a sustainable income in an improved rural environment with increased food security and climate resilience. Such an environment enables households and communities to leave coca cultivation and other illicit activities behind. This helps Peru to sustain its coca reductions as well as address the root causes of food insecurity and rising rural poverty. When coca reductions and licit rural development are sustained, there is less illegal coca and other illicit activities fueling transnational criminal organizations, a policy priority for the USG and GOP.

DO1's development work goes beyond counternarcotics efforts in collaboration with the GOP, but is part of USG's multi-pronged inclusive rural development approach to addressing gaps in public services, poverty and food insecurity critical to improving livelihoods and sustaining rural economies. This development work, guided on the USG side by USAID, involves supporting farm families to transition to licit high value crops, and increase their access to basic financial and technical services. Also this includes strengthening farmers' connections to producer associations and buyers, and building capacity of local governments to improve local investments and access to basic public services. As part of the GOP - USG counternarcotics efforts, eradication of coca fields by the Ministry of Interior's Special Eradication Unit (CORAH), led on the USG side by State/INL, supports CORAH and the Peruvian National Police's (PNP) eradication operations, including through direct funding and by providing aviation assets. In addition, law enforcement interdiction brings drug trafficking transnational criminal organizations to justice, and is led by special, vetted PNP units.

⁹ USAID analysis of UNODC data from 2011-2017.

¹⁰ Peru: [Política Nacional contra las Drogas al 2030](#)

Link to Goal, Last-Mile Challenges: Since 2013, USAID's inclusive rural development assistance, managed through the AD program, in Peru, combined with USG support for eradication and other joint GOP-USG law enforcement efforts, has helped the country to substantially contain coca cultivation. Peru's renewed economic growth has increased the GOP's public revenue. This has enabled the GOP to now fund approximately 60 percent of its national development efforts and 75 percent of coca eradication operations. Yet, public resources do not effectively reach rural, isolated areas such as the VRAEM area, an illicit coca stronghold with a long-time presence of the narco-terrorist group the Shining Path. Here and in other rural areas, poverty and food insecurity – underpinned by insecurity, isolation, inadequate state presence, plus absence of the rule of law -- provides fertile ground for illegal coca cultivation and other illicit activities to spread.

USAID's partnership with the GOP strengthens local government institutions' capacity and enhances market competitiveness so that resources are used more strategically and efficiently, while helping to mitigate and adapt to climate change, thus lowering the risks for private investors and rural residents. With USAID's targeted support, DEVIDA along with other targeted GOP Ministries and Agencies will build on successful sustainable inclusive rural development models, based on its experience with USAID over the past 20 years. The GOP along with USAID support will adapt and extend this experience into new, more challenging areas where illicit coca is grown and other illicit activities take place. The objective is to provide rural poor and marginalized food insecure groups sustainable, licit economic alternatives, thereby enabling farmers to stay away from illicit activities. This will reduce inputs for criminal organizations, and enable increased private sector and inclusive market-led growth and climate-resilient development.

By the end of the CDCS period, DEVIDA and other GOP entities will have better capacity to replicate and expand successful integrated rural development programs in the VRAEM and other challenging areas, primarily using domestic resources. This will be implemented in partnership with the private sector and civil society, including faith-based organizations. In consultation with the GOP, USAID will gradually phase out interventions in areas of long-term investment and consolidated development, or in some cases reorient their focus to address emerging challenges by improving food security, broadening access to basic public services, growing employment opportunities, and mitigating and adapting to climate change to prevent the return of illicit activities. USAID will scale and replicate its private sector engagement efforts in targeted areas, with the involvement of government actors to create enabling conditions, thereby expanding innovation and collaboration to further develop licit livelihoods, improve digital connectivity, and accelerate financial inclusion.

Intermediate Results: Through IR 1.1, *Gaps in key public goods and services reduced in targeted areas*, USAID will support the GOP in its efforts to reduce economic and social gaps in targeted areas with inadequate provision of public goods and services by government entities. Local governments in targeted isolated regions have a history of low levels of budget disbursements with poor targeting, weak implementation, and low-quality impact. A significant portion of DEVIDA's annual budget is disbursed through transfers to local governments, which

are then implemented through procurements to local companies. Also, government resources are channeled through local governments by the GOP's sectoral ministries (i.e. health, education, transportation, women, social inclusion, etc.) in coordination with DEVIDA to expand and enhance local public services.

USAID will focus its resources on reinforcing and enhancing the work of DEVIDA, the Ministry of Economy and Finance, and other relevant GOP entities, including local and regional governments. This support will help strengthen the GOP's commitment and capacity to increase effective state presence and more effectively allocate, target and execute public investment for basic goods and services. As a result, local governments will improve their capacity and performance in investment management, planning and budgeting, public procurement, management communication, and tax collection, applying a gender focus and intercultural approach, while controlling corruption. USAID will also work with local government institutions to foster social capital and the full inclusion of women and marginalized groups in communities, who are essential to sustaining local social-economic rural development interventions and growing a licit economy.¹¹¹²

Furthermore, resources will address systemic drivers of food insecurity by improving the capacity of Peruvian institutions to target and provide key services to households. Activities include improving farmers' knowledge and strengthening connections to markets, enhancing the quality and nutritional value of food produced, and leveraging private sector investments to improve local food distribution networks.

Under IR 1.2, *Sustainable licit economies strengthened in targeted areas*, USAID will use an inclusive market-based development approach to unlock private investment to expand employment opportunities in high value commodity chains and catalyze environmentally and economically sustainable growth in local economies. USAID will partner with the private sector to promote inclusive enterprise-based development through the provision of technical, financial and other services for men and women farmers, producers and or business organizations or associations and local small-scale businesses to increase productivity and expand their access to high value markets. This next generation of USAID partnerships will look to work directly with major national and international buyers. This will increase the number of farmers in target regions to directly link them to the market services necessary to meet the quality and volume requirements for different markets. Private sector engagement with the financial sector will focus on innovative blended finance mechanisms and services, data-driven risk management, and digital delivery platforms, as well as providing equal access to male and female clients.

Specifically, USAID will scale and replicate efforts to expand rural private sector investments to establish and expand competitive licit value chains, as well as financial and communication

¹¹ Analysts have pointed to a rise in "social capital" as one of the essential factors that determined the success of the "San Martin Model," as it allowed all stakeholders – including women – to jointly support and participate in the transition process. (UNODC, 2011).

¹² DEVIDA has adopted USAID's Gender Action Plan and accompanying Gender Manual for Alternative Development. USAID will work with DEVIDA to advance gender equity in priority geographic areas, and also explore ways to combat gender-based violence, which is especially high in these areas.

services required to enhance local economies by further developing sustainable livelihoods, improving digital connectivity, and accelerating financial inclusion. These development resources will increase private sector engagement through partnership platforms and blended finance funds to invest in former coca areas and reduce investor risk perceptions in high-risk areas. USAID will also introduce new rural focused modalities for localization of technical assistance delivery (e.g., technical agents, supply chain managers, business advisory services).

IR 1.3, *Climate-smart approaches strengthened in targeted areas*, is new to the strategy with the 2022 CDCS amendment. Through IR 1.3, USAID will promote the implementation of climate-smart technologies and approaches as part of integrated inclusive development solutions in targeted rural areas affected by illicit coca production. Incorporating climate mitigation and adaptation within this DO contributes to the Agency-level new Climate Strategy objectives and targets. Targeted intervention areas are part of the Amazon basin, where protection and sound management of natural resources are critical for both Peru's development and for regulating global climate. As part of expanding the production of high-value crops (such as cacao and coffee), USAID will build on experience to date in improving farm productivity and crop quality, while also applying climate-smart technology and practices. USAID will provide specialized technical support and facilitate financing for agricultural practices that have positive climate impacts, including preserving existing forest lands and reducing carbon emissions, while working with Indigenous groups and local rural communities to expand and sustain community forest and land management where appropriate. In parallel, USAID will help farmers adapt to negative impacts of climate change, such as more frequent drought and risk of crop loss from pests. Climate-smart technologies and practices will include, for example, improvements in agroforestry systems, use of tolerant varieties, soil and water conservation, organic fertilization, post-harvest processing, organic and inorganic waste management, and farm traceability technology. USAID will also promote efforts by small and medium-sized non-farm businesses to become more resilient to climate change, through building their capacity and expanding their access to information and finance. Climate-smart approaches go together with efforts to expand market access, including high value retail markets that impose environment-related constraints on food imports, such as the European Union's requirement for no-deforestation certification.

Linkage to USAID Country Roadmap: In the *Commitment* dimension, DO1 will address economic and social gaps affecting poor rural areas (Inclusive development: Social Group Equality, Economic Gender Gap); will address obstacles for private investment at local level (Economic policy: Business and Investment Environment); and buttress environmental stewardship (Economic policy: Environmental Policy). In the *Capacity* dimension, DO1 will build capacity for increased and effective state presence (Government Capacity: Government Effectiveness, Safety and Security); and will use ICTs to improve financial and economic inclusion (Individual Capacity: Poverty Rate, and Capacity of the Economy: ICT Adoption).

Host country priorities: As articulated in Peru's National Counternarcotics Policy to 2030, the GOP seeks to improve citizen security and combat corruption and illicit activities, by improving socioeconomic and institutional conditions in local communities, and reducing production and

illicit drug traffic in target rural areas. Increasing GOP budget allocations to counter-narcotics interventions support this assertion. In contrast with prior years when the USG provided 90 percent of funding for alternative development programs, the GOP's investment in alternative development has jumped substantially from \$4 million in 2010 to \$30 million in 2022. USAID's 2018 Memorandum of Understanding (MOU) with the Ministry of Finance committed the GOP to increase investment and provision of basic services in priority regions and highlights Peru's leadership to consolidate its leadership of these inclusive socio-economic development programs.

Main GOP entities involved in socio-economic inclusive development efforts include: DEVIDA, Ministry of Economy and Finance, Ministry of Agriculture and Irrigation, including the Agricultural Research Agency and Agricultural Sanitary Service, Ministry of Transport and Communications, Ministry of Health, Ministry of Education, Ministry of Production, Ministry of Women and Vulnerable Populations, National Center of Planning, and the Ministry of Interior's coca eradication agency (CORAH); and regional and local governments in targeted rural areas.

Other Development Actors: USAID along with private companies and business associations including the Regional Trade Chambers and the Exporters Association (ADEX), the Cacao Producers Association (APPCACAO), and farmer cooperatives and producer associations (formal and informal) will work together to channel private sector engagement and play specific roles in new alliances. Donors and other international development actors working to combat illicit drug trafficking and improve alternative development-related government effectiveness are few and limited in providing necessary resources. USAID is the GOP's main international partner in the alternative development space. The European Union, the United Nations (UNODC, UNDP, IFAD), Swiss Cooperation, and the International Center for Tropical Agriculture's Biodiversity Group promote social and economic rural development in overlapping geographic areas that indirectly advance the GOP's alternative development objectives. Presently, there are no formal alternative development donor working groups, although DEVIDA occasionally convenes relevant partners to coordinate on specific development issues.

New modalities: Amplifying Section III, the Mission will implement a number of new modalities that emphasize GOP leadership. In *Redefining our Relationship* with the GOP, USAID will continue to support DEVIDA and other GOP entities to build their capacity and skills to replicate successful socio-economic inclusive development programs in new, challenging illicit coca-producing rural areas, such as the VRAEM, using primarily domestic resources. USAID, in consultation with DEVIDA, will phase out interventions in consolidated areas, such as the San Martin region, and will reduce direct government assistance in 2023 for broader socio-economic inclusive development focused in targeted rural areas. USAID staff will work with DEVIDA counterparts, when needed, to reinforce consultation mechanisms, including joint design of programs, strengthening institutional capacity, and prioritization and coordination of public and private sector investments.

USAID will help the GOP strengthen *Public Financial Management* and the capacity to effectively execute Peru's public resources, especially at the subnational level, to increase effective state presence and secure basic public services in priority areas. USAID's tripartite

MOU with DEVIDA and the Ministry of Economy and Finance reinforces the GOP's aspiration to allocate additional investment for the provision of basic services in priority development regions; to date, it has mobilized \$626 million in public funds for this purpose. USAID will continue implementation of this MOU by supporting DEVIDA to scale up assistance to community groups and alternative crop farmers, as well as to assist subnational governments to spur economic and social inclusive development and invest in public services, using GOP resources. USAID will advance *Fiscal Transparency and Accountability* through complementary governance activities under IR 1.1 and also DO 2, to address corruption risk in procurement processes, strengthen prevention controls, and resolve bottlenecks in public spending.

To advance *Private Sector Engagement and Localization*, USAID will scale and replicate successful alliances that have leveraged private sector investments to establish and expand licit value chains reaching high-value end markets, as well as financial and communication services required to dynamize local economies and help them grow new employment opportunities. New alliances will expand innovative private sector collaboration, alongside increased public sector investment and civil society engagement, to further develop licit livelihoods, improve digital connectivity and accelerate financial inclusion. Through these existing and new private sector engagements and co-investments, the mission seeks to leverage private finance in support of DO1. In addition, USAID will promote and deepen localization development by engaging with existing alliances and emergent local organizations working in targeted areas as partners, including national, subnational, local and indigenous entities, throughout the program cycle, from initial concept to co-design, implementation and evaluation. USAID will roll out flexible and agile procurement arrangements to facilitate local partner engagements, and foster evidence-based, innovative solutions to locally-defined inclusive development issues.

Assumptions

1. GOP administrations will sustain policies, resources, and support for alternative development, while conducting targeted coca eradication.
2. The GOP continues reinforcing decentralized governance in a way that allows USAID to work with national and local governments to fund and bring services to rural development areas.
3. The GOP intervention in the VRAEM focuses on promoting economic and social inclusive development in a whole of government approach, including infrastructure and security, complemented with focused USAID development assistance. Coca eradication is limited.

Climate Risks

1. *Risk:* IR 1.1. may be impacted by climate events that affect public investment and services. The Mission's Climate Risk Screening finds that there is a high risk that GOP resources may be prioritized for emergency and reconstruction response to the detriment of longer-term needs in former coca producing areas, in case of potential climate catastrophes. In addition, there is a moderate risk that effective delivery of basic public goods and services may be affected by extreme weather events and undermine confidence in local governments.

Mitigation: As municipal governments develop capacity and execute their budgets more efficiently, they can better prepare for emergencies and adjust to changes, thereby becoming more resilient to climate impacts. Peru's National Climate Change Action Plan will also help municipalities to become more resilient to impacts.

2. *Risk:* IR 1.2 may be affected by climate-related events and trends. Risks include delays to market access due to flooding/road washout or drought, which increase overall transaction costs (high risk). Climate may negatively impact the overall product quality and agricultural productivity (high risk). These events may discourage investment from private sector and financial entities (moderate risk).

Mitigation: Private sector actors can be encouraged to develop resilient business practices and make investments throughout their value chains, helping to mitigate some of these risks. Use of new technologies that advise the best timing for harvesting can also mitigate potential damage. Existing activities are in place to engage private sector stakeholders to promote sustainable businesses that open markets for smallholder farmers. In addition, new activities to be awarded in 2023 will have an important focus on market linkages and compliance with new market regulations (e.g. European Union's zero deforestation for cacao and coffee imports).

3. *Risk:* IR 1.3 may be affected by technology costs and climate events. As sustainable technology input costs continue to increase for smallholder farmers, this could discourage them from adopting environmentally sound practices, thereby forcing smallholder farmers to perpetuate the deforestation and small-scale agriculture cycle. In addition, increased climate impact on crops (e.g. floods, droughts, extreme temperatures) can reduce yields and incomes and "force" smallholder farmers to clear more forest to expand farmland in the Amazon.

Mitigation: The program will provide technical support to local communities and institutions to incorporate changes in weather patterns and vulnerable areas in all planning tools to reduce risks and ensure strategies that identify/develop tools/strategies that withstand climate variability and are cost effective for small farmers. Innovative tools and methodologies are expected to reduce compliance costs, including credit assistance to defray costs, negotiation with certifying agencies, etc. Activities will assist farmers to access high-value European markets that will require zero-deforestation certification.

DEVELOPMENT OBJECTIVE 2 (DO2)

DO2, **Peru improves democratic systems for transparent, inclusive, and accountable governance**, supports the CDCS Goal by addressing major risks for backsliding on a range of development gains. USAID will implement a systems strengthening approach in supporting governmental institutions, civil society organizations, and private sector partners to engage with each other in the pursuit of solutions based on public integrity¹³ to emerging governance challenges. These challenges include institutional weakening, lack of transparency, exclusion of marginalized groups, and threats to freedom of speech and human rights.

¹³ Public integrity is the consistent adherence to shared ethical values, principles, norms and systems that prioritize public interest over individual and private interests or respecting public resources and authorities for the public good. It includes accountability, transparency, inclusiveness and responsiveness in government (OECD Council on Public Integrity, "2017 Recommendations on Public Integrity").

Peru's capacity to govern effectively has deteriorated in recent years at the national and subnational levels due to the ongoing political gridlock, successive high-level corruption scandals, and a challenging decentralization process. Corruption in Peru is widespread.¹⁴ Identified cases of grand corruption have gained public notoriety in recent years, including embezzlement, collusion, bribery, extortion or fraud in the justice system, politics and public works, involving high level authorities or key public officers who abuse their public power for private gain. Petty corruption to access public services is rampant, with Peruvians victimized by public officers (17 percent) and police (14 percent) in a percentage higher than the regional average.¹⁵ Corruption has become more pervasive in public procurement due to weak oversight systems, poor reinforcement of professional ethical standards for public servants, lack of enforcement of procurement standards, and widespread social tolerance of corruption. Anti-corruption efforts remain a stated priority across the political spectrum and within civil society, but much greater effort in the Executive branch and Congress is required to advance both political and justice reforms. The noisy internal political landscape could further slow the execution of public investments, undercut integrity, and discourage private investment. In short, persistent, pervasive corruption may put at risk Peru's sustained democratic and economic progress. At the same time, non-governmental actors play fundamental roles in improving governance, not only by promoting anti-corruption measures, but also by ensuring broader accountability and inclusivity in public policy decision-making at national, subnational and local levels. This includes policies and institutional reforms to protect the rights of vulnerable groups.

Development Hypothesis: If (a) the Peruvian government implements institutional strengthening reforms (including anti-corruption reforms in public investment and procurement, stronger fiscal control systems, and civil service professionalization); (b) public accountability is strengthened by a civil society, private sector, and independent media with the capacity to exert oversight and advocate for good governance commitments; and (c) policy and institutional reforms are implemented to protect vulnerable groups and prevent and address human rights violations; then Peru's improved democratic systems will make possible more transparent, inclusive and accountable governance. Such governance will be characterized by public investments that will respond to the needs of the population; population groups traditionally excluded will have their basic rights protected; and the influence of illicit interests in the government and society will be effectively countered. This hypothesis requires that the GOP maintains political will to counter corruption through public procurement, fiscal, and civil service reform measures; that non-governmental actors maintain a fundamental role to promote anti-corruption measures; that policy and institutional reforms are implemented to protect rights of vulnerable groups; and that the DO activities support systemic change that incorporates input from the public and private sectors and civil society to address emerging challenges.

¹⁴ These conditions include illegal contributions/ illicit financing of political candidates and bribery of political officials. This overall dynamic has eroded trust, credibility and integrity of public entities and engendered mistrust of the private sector. This landscape also feeds Peru's susceptibility to transnational criminal enterprises such as drug trafficking, money laundering, illegal logging, and human trafficking, among others.

¹⁵ 2021 Americas Barometer

Link to Goal, Last-Mile Challenges: In Peru, the cost of corruption has risen since the COVID-19 pandemic – estimated to be more than \$4 billion in 2019, it was more than \$6.2 billion in 2021¹⁶. Corruption drains economic, political and social development, contributing to a lack of citizen confidence in government and the continued risk of backsliding in Peru’s commitment to democracy and free market economics.

America’s Barometer measures of support to democracy consistently shows that Peru is ranked among the lowest in Latin America. The country’s trust in elections is below the regional average. Only one third of Peruvians think that their basic rights are protected, among the lowest percentages in the region. Despite overall economic progress in Peru, citizens do not think that democratic systems can guarantee integrity in public management, services and decisions.

To address this situation, USAID will support Peru’s efforts to accede to the OECD, which provides a strong framework for the country’s fight against pervasive and persistent corruption, based on improving overall public integrity. The emergence of institutions such as the Public Integrity Secretariat, the Ministry of Economy and Finance acquisition directorates, and new Comptroller General and civil service initiatives provide fertile ground that strengthen Peru’s commitment to combat corruption and are natural linkages for USAID’s partnership and capacity strengthening modalities.

Peru’s National Anti-Corruption and Integrity Strategy and Implementation Plan incorporate the recommendations of the 2017 OECD Public Integrity Review of Peru, and the framework for a public integrity model that increases governmental internal controls and promotes whole-of-society accountability. Peru’s “Integrity System” draws from OECD recommendations and best practices, fortifying points where internal controls intersect with external oversight of CSOs or media and with citizen (individual) accountability and demand for government accountability.¹⁷

USAID will help key GOP accountability entities (Comptroller’s Office, Procurement Agency, Integrity Secretariat, and others) to align policies and reforms for greater government efficiency, effectiveness, and transparency in service delivery and public investment, including simultaneous internal controls, legal frameworks and increased budgets to implement corruption prevention and public procurement modernization. USAID will also work with CSOs and private actors to provide citizens, public servants and business sector actors with the knowledge and requisite skills to uphold public integrity standards, reject corrupt practices across sectors, exercise oversight, and increase accountability. Simultaneously, USAID will deepen a whole-of-society approach to influence and mobilize broader public opinion to push for government action and continued institutional reforms. In addition, USAID will work with public and private actors to increase protections for marginalized groups, including victims of trafficking in persons, Indigenous populations, Afro-Peruvians, members of the LBGTIQA+ community, victims of

¹⁶ For 2019, Peru’s Comptroller General, cited in El Comercio newspaper, April 26, 2019. For 2021, [Incidence of Corruption and Functional Misconduct 2021](#) by Peru’s Comptroller General Office.

¹⁷ OECD Public Integrity Review of Peru: Enhancing Public Sector Integrity for Inclusive Growth, 2017 and OECD’s technical paper, “*Las Oficinas de Integridad Institucional en el Perú hacia la implementación de un Sistema de Integridad*,” March 2019

gender-based violence, among others.

Intermediate Results: Under IR 2.1, *Anti-corruption systems strengthened*, USAID will support the GOP to implement strategic elements of the National Integrity and Anti-Corruption Plan to strengthen systems to prevent and mitigate government corruption. Working jointly with the GOP, USAID will identify and address bottlenecks that limit efficiency and are prone to corruption. Support includes improving planning and implementation systems throughout the public investment and procurement cycles and building the capacity for independently mitigating corruption risk, such as public procurement oversight and concurrent audits of public expenditures. USAID will also work with the GOP to improve targeted civil service capacity and effectiveness, and establish internal control and sanction mechanisms within government entities and external oversight by the civil society. Other approaches include evidence-based improvement plans with specific measures to improve key government supervision systems, to be continually reviewed and adapted based on priority needs.

USAID will focus on policy and regulatory reform through narrowly targeted support in the legislature to reduce influence of illicit (financial) interests on politics and public decision-making and reduce corruption and abuse of power in the judiciary. In the wake of numerous political corruption scandals, citizens expect change to internal political rules and a renewal of political and public actors to reduce corruption in government and create the necessary enabling environment for broader improvements in public integrity. USAID will complement these trends by convening academia, opinion leaders, selected political organizations, youth and civic organizations, media outlets, and authorities for discussions and consensus building on the best avenues for political reform.

USAID will also partner with Peru's Civil Service Authority and the National School for Public Administration to promote merit-based civil service recruitment, include new curricula for public servants on public integrity, gender equality and inclusion, and transparency, as well as local participatory planning, performance monitoring, and budgeting for citizen-focused services. At the end of the CDCS, Peru will have more coherent, coordinated and efficient corruption prevention and risk mitigation systems in place, including greater civil service professionalism around ethics and integrity as a foundation for reduced public sector corruption. Strengthened public procurement systems and increased transparency in public spending will help ensure that public funds are not diverted by corrupt actors and help reduce opportunities for the external actors to exert inappropriate influence on decision makers.

Under IR 2.2, *Whole-of-society accountability measures increased*, USAID will encourage growing citizen- and business-led efforts to promote whole-of-society accountability through greater private sector transparency and self-regulation mechanisms, civil society oversight of public investment, and raising public understanding of the benefits of a culture of integrity based on the effectiveness, fairness and accountability of the government, the private sector and the society. By the end of the strategy period, the Mission expects that social tolerance of corruption will have decreased, in particular for petit corruption, which is still tolerated by citizens, unlike

high-level corruption.¹⁸ At the end of CDCS, Peru also will have improved its position in the ratings of international anti-corruption measures, and citizens will perceive that government entities are more responsive to their needs due to a reduction in public corruption in their localities. Major business associations will have in place effective self-enforcement measures including sanctions to prevent bribes and other corrupt business practices.

USAID will engage civil society and private sector actors to work with government entities at national and subnational levels. Strengthening this diagonal accountability -- the ability of citizens and civil society organizations' to hold their governments and authorities directly accountable and responsive to the citizens' needs -- will be important to address practices that limit fair and open competition in public procurement and develop public-private integrity networks. This especially includes responsiveness to underrepresented and marginalized groups. USAID will support the role of the independent media in contributing to issue-based oversight. USAID will also support the private sector and the GOP to set standards and measure compliance in public investment and procurement to verify tangible change. USAID will promote transparent governance of extractive industries, with a focus on environmental compliance and transparent investment of revenues in Indigenous communities. All interventions will incorporate collaboration, learning and adaptive management to build sustainable conditions for the effective improvement of systems, capacities of people, and good practices beyond USAID's support. This will be accomplished by studying and documenting experiences and implementing co-creation processes, joint consultations and shared decision-making. In addition, USAID will implement activities to support inclusive democratic institutions and processes and foster dialogue at the national and subnational levels to reduce social conflict and promote democratic values.

Under IR 2.3, *Human rights protections strengthened*, new to the CDCS with the 2022 amendment, a key area of focus will be to support the GOP to implement Peru's 2021 National Counter-Trafficking in Persons (C-TIP) Policy. USAID will work jointly with the GOP to improve the capacity of public institutions to prevent and prosecute trafficking, improve services to survivors, and expand coverage. This approach will include collaboration with Peru's interagency commission on human trafficking, as well as the thirteen government institutions comprising the commission (Ministry of Interior, the Judiciary, the Attorney General, the Ministry of Women and Vulnerable Populations, and regional governments most affected by trafficking). USAID will engage civil society as well as government entities to provide comprehensive medical, psychological, shelter, educational and vocational services for survivors, and assist survivors in exercising their legal rights. In parallel, USAID will increase public awareness, working with government, civil society, and national and regional mass media, to educate and inform marginalized populations about patterns of exploitation and how to access support services. USAID will also promote efforts by civil society to expand oversight related to

¹⁸ The [XI National Survey on Corruption Perception](#) published in December 2019 by NGO Pro-Etica found that Peruvian citizens are increasingly refusing to pay bribes (57 percent), vote for parties or candidates with corrupt backgrounds (55 percent) and ignore acts of corruption by increasingly denouncing violations (54 percent). With continued interventions to support public integrity, this civic trend can reinforce positive conditions for government reform and continued political commitment to fight corruption and other illicit activities.

trafficking. Geographically, USAID will target priority locations where there is greatest risk and/or prevalence of trafficking, including parts of Peru's Amazon where illicit drug production, illegal mining, and/or illegal logging are prevalent, as well as urban areas including Lima.

Given the high prevalence of gender-based violence (GBV) in Peru, USAID will promote GBV prevention efforts and provision of services to survivors. The COVID-19 pandemic highlighted the particular vulnerabilities of women and girls, including among the Venezuelan migrant community, who lack access to knowledge or resources to assist them. USAID will partner with civil society actors who play oversight, outreach, service delivery, and advocacy roles regarding GBV; and with Peruvian human rights agencies that are in a position to strengthen government protection frameworks and services.

USAID will also work with GOP and NGO partners to strengthen human rights protections for the country's diverse marginalized groups, such as Indigenous Peoples, Afro-Peruvians, and the LGBTIQ+ community. Indigenous communities, already historically lacking many legal protections, face increasing threats for defending the environment and opposing illicit activities in the remote areas in which they live. USAID will encourage the GOP to strengthen protection and services for human rights defenders that advocate for environmental and Indigenous Peoples' protections. USAID will also strengthen the role of journalists in exposing human rights abuses, while helping them to address the threats to freedom of speech they may face for doing so. USAID will engage with the private sector, civil society and media groups to raise awareness in Peru about human rights issues facing the country's vulnerable populations and marginalized groups. Recognizing that policy and institutional reforms are required to protect the rights of vulnerable groups and prevent and address human rights violations, USAID will partner with responsible GOP entities to improve human rights legal frameworks and response and remedy mechanisms.

Linkage to USAID Country Roadmap: In the *Commitment* dimension, DO2 will improve government transparency, increase civic participation, and reduce corruption (Open and Accountable Government: Open Government, Absence of Corruption) In the *Capacity* dimension, DO2 will improve public processes that impact on quality of services and government credibility (Government Capacity: Government Effectiveness); and will rely on civil society and independent media to hold government accountable, improve integrity, and protect human rights (Civil Society Capacity: Civil Society and Media Effectiveness).

Host country priorities: Promoting public integrity and combating corruption is a top priority for responsible GOP institutions (though unevenly implemented). Countering corruption has become a high-priority demand from the population, and is fundamental to advance Peru's goal for accession to the OECD. The Executive branch has adopted several legal and policy reforms aimed at curbing public corruption, but implementation remains inconsistent. The GOP has increased its efforts to combat TIP, but implementation of the National Policy Against Human Trafficking is under-resourced and governmental institutions are in need of capacity development to better articulate and coordinate efforts across government.

The main GOP counterpart organizations to advance this DO include: Comptroller General of

the Republic of Peru; the Office of the Prime Minister and key secretariats; Secretariat of Public Integrity and Secretary of Public Management; Peru's National Civil Service Authority; National Supervisory Organism of Public Procurement; the National Ombudsman's Office (Defensor del Pueblo); and the Permanent Multisectoral Commission Against Trafficking in Persons.

Other Development Actors: Under the Decentralization and Modernization of the State Donor Coordination Group, USAID's Governance Office leads the Integrity and Anticorruption Donor Sub-Working Group, coordinated with the Secretary of Public Integrity since late 2018. This group is aligning and coordinating efforts with the National Integrity and Anti-Corruption Plan to support government policies and influence decision makers on designated courses of action. The Inter-American Development Bank (IDB) is strengthening the Comptroller General with improved information technology systems to support decentralized control efforts, while USAID focuses on targeted regions and supports the Comptroller General in the application of the new concurrent audit system. The Comptroller General will use the lessons from the implementation to adjust its systems. Other active members are: Germany (GIZ), Spain (AECID), Switzerland (SECO), World Bank, IDB, Global Affairs Canada, the British Embassy, and the European Union.

USAID will also reinforce its relationships with the private sector and CSOs to advance the transformations to enhance public integrity and accountability. Business associations relevant to this DO include: National Confederation of Private Enterprise Organizations (CONFIEP), "Businesses for Integrity" alliance, Peruvian Chamber of Construction (CAPECO), Association for Promotion of National Infrastructure, and the Chambers of Commerce of target regions. Civil society partners include the "Integrity Observatory" consortium of Peruvian NGOs, the consortium Grupo Propuesta Ciudadana; media conglomerates: Radio Programas del Peru and La Republica; infomediaries: Ojo Publico, Convoca, La Mula; as well as women's organizations, Indigenous organizations, human rights organizations, young leaders' groups, LGBTIQ+ associations and faith organizations.

New modalities: To advance DO2, the Mission will implement new modalities related to *Redefining our Relationship* with the GOP. USAID will deepen the mutual reinforcement of diplomatic and development engagement and employ flexible mechanisms that permit adapting interventions to support consensus priorities of the GOP and USG, reinforcing basic norms to prevent and reduce corruption, increase public accountability, and address human rights. USAID will use co-creation to ensure GOP ownership of measures and practices, especially in co-designing interventions for corruption prevention, risk and mitigation systems, and public oversight mechanisms. The Mission will also utilize donor-to-donor agreements and joint strategies to optimize resources that support implementation of key GOP reforms, and USAID will reinforce targeted policy reform through policy dialogue and targeted technical assistance, coordinated with other USG agencies, donors and international actors. To support the improvement of *Fiscal Transparency and Accountability*, USAID will help the GOP validate new or improved tools and systems in targeted public investment processes, such as streamlined emergency procurement processes, and will quickly test proof of concept models to generate evidence for replication of models by the GOP and other organizations.

Other new modalities will advance *Private Sector Engagement* and *Localization*, including leveraging USAID's convening power in Peru to establish private sector alliances, such as new multi-sector collaboration in the field of anti-corruption and pro-integrity initiatives. USAID will empower and partner with local non-governmental actors, and co-create solutions using practices such as Statements of Objectives in the design of new interventions, and also through non-project engagement with the private sector, such as targeted analyses, focused national dialogue, and integrity awards. USAID will co-finance and leverage funds from CSOs, the private sector, and other donors for anti-corruption and human rights efforts, serving as a facilitator and connector between key GOP entities and local non-governmental actors for reform, adaptation and learning.

Assumptions

1. Key GOP institutions maintain strong political will to advance reforms in the fight against corruption. In particular, the Comptroller's Office continues its leadership to implement the new control law and support preventive measures; the Procurement Agency has sufficient resources to supervise the procurement processes and develops and implements online tools to limit corruption; and the Secretariat of Public Integrity implements its integrity model at the national and subnational levels.
2. Private sector businesses and organizations work in concert to demand greater transparency and effective sanctions on corrupt actors.
3. Independent media and research journalists investigate and expose corruption and human rights abuses, without censorship, increasing public awareness, influencing opinion makers, and sustaining demand for reform.
4. The GOP demonstrates strong commitments and effective advances in complying with the Roadmap for the OECD accession.
5. Civil society organizations continue to stand up and raise their voices to protest against acts of corruption and human rights violations, demanding greater transparency and government accountability to receive better services, especially for the most vulnerable populations.

Climate Risks

The Mission's Climate Risk Screening found that the climate risks associated with DO2 are low and do not require specific mitigation measures.

DEVELOPMENT OBJECTIVE (DO3)

DO3, Peru increases climate resilience, supports the CDCS Goal by building the technical and administrative capacity and commitment of Peru's government, private sector, and civil society to counter environmental crimes, address the over-exploitation of Peru's natural resources, build climate adaptation, and deliver on the country's ambitious climate mitigation goals.

Peru's Amazon forests, covering nearly 60% of the country, house extraordinarily rich biodiversity of global importance, and conservation of the Amazon is critical to limit climate

change impacts globally.¹⁹ Deforestation in the Amazon (legal and illegal) represents the country's largest source of greenhouse gas emissions. Unfortunately, transnational criminal organizations have expanded in Peru into the multi-billion-dollar ventures of illegal gold mining, illegal logging, and wildlife trafficking. Proceeds from illegal mining, more than \$3 billion per year, exceed those of the cocaine trade.²⁰ Forest losses were between 150,000 and 200,000 ha in recent years. Peru also faces increasing water crises due to climate variability, melting tropical glaciers, and a lack of adequate infrastructure to regulate water supply, threatening the economic and water security of its population. Reversing damage and threats to biodiversity and natural resources requires Peru to actively plan, finance, implement and monitor interventions. Strong central and subnational institutions are essential to ensure that the natural resource base is sustained and resilient, and ensure that communities, people, and nature reap the benefits of sustainable economic opportunities, social inclusion, and ecological health. The marine environment is a special case for these issues, where foreign deepwater fleets and illegal and unregulated domestic fishing threaten marine ecosystems and the economic and food security of coastal communities.

Development Hypothesis: If (a) the Government of Peru strengthens environmental oversight, climate-related interventions, and natural resource management functions, including increased enforcement of laws and regulations, (b) the GOP and the private sector scale up financial tools and incentives to mobilize sustainable public and private investment, and (c) Indigenous and other groups affected by threats to the environment have the technical, organizational and economic base to influence decisions and improve inclusivity and accountability in local development, then Peru can better mitigate and adapt to climate change, especially by reducing forest loss in the Amazon.

With powerful economic forces hastening the degradation of the Amazon, in achieving this DO, Peru will better institutionalize, finance and implement policies and initiatives that reduce environmental crimes and the over-exploitation of globally significant resources in Amazon forests and Andean watersheds. Long term, with improved environmental planning and management, Peru can pursue its climate mitigation and adaptation goals, conserve its environmental patrimony, and sustain broad-based and inclusive development, expanding benefits of Peru's natural resources for the nation and the world.²¹

¹⁹ Overall, the Amazon biome -- comprising 60 percent of Peru's territory -- hosts one-third of the world's known species of plants and animals, many of which do not occur anywhere else on earth. The region is also home to 1.6 million Indigenous People, some of whom still live in voluntary isolation. The Amazon River system is the largest in the world, representing approximately 15 percent of the freshwater draining into oceans worldwide, and Amazon forests capture 25 percent of human greenhouse gas emissions. The Amazon is a repository of ecological services, for local communities in Peru, the region, and the world.

²⁰ Peru is the top gold producer in Latin America and the sixth largest in the world; illegal gold mining accounts for nearly one third of gold leaving Peru. In 2019, Peru's Financial Intelligence Unit found that illegal gold mining was Peru's largest source of money laundering, accounting for more than twice the amount from drug trafficking.

²¹ Peru's enormous Amazon biodiversity comprises natural resources and valuable ecosystem services that provide local and global climate regulation, nutrient cycling, crop pollination, and global hydrological regulation. Peru's Amazon enables livelihoods, wellbeing and sustainable economic development, and health, recreational and cultural benefits, among others; the 68.5 million hectare tropical forest is also a major carbon sink, holding nearly seven billion metric tons of carbon.

Link to Goal. Last-Mile Challenges: Sound and sustainable natural resource management in Peru is increasingly visible in public policy, as is the need to take action in the face of climate change. However, implementation and public financing of environmental and natural resource management is inconsistent, and the associated economic and social benefits do not broadly reach Peru's people. Peru established key environmental institutions starting in 2008, including the Ministry of Environment (MINAM), national forest inspection agency (OSINFOR), and specialized justice sector environmental prosecutors, to oversee and sustain the country's mega-biodiversity. The GOP's budget of \$55 million in 2019 for central and regional forest authorities (a 19 percent increase from 2018) demonstrates Peru's commitment to environmental and natural resource management.²² However, state capacity in this sector is still emergent, often challenged by the expanding reach of transnational criminal organizations within massive, remote territories with little overall state presence. Currently, thriving illegal industries present low risk and high reward, and gravely threaten Amazon biodiversity, associated ecosystem services, and long-term development, while also increasing greenhouse gas emissions.²³ Simultaneously, environmental degradation aggravated by climate change threatens water security and economic activities in large cities and Andean rural areas, creating water shortages, migration, and conflict over resources.²⁴ These growing challenges have tested the capacity of nascent institutions to work towards common goals, necessitating further institutional development of both current and new partners.

USAID will help Peru strengthen government capacities in the environment sector to manage the nation's natural resources and manage climate action as a foundation for growth and sustainable development. Improved implementation and enforcement of environmental law will reduce illegal activities that increase insecurity, distort the local economy, and unfairly compete with formal businesses. Improved natural resource management will provide a clear and stable framework on land use and the sustainable utilization of natural resources, creating better conditions for the private sector to invest in conservation and climate related initiatives. By the end of the strategy, Peru will have a stronger framework for sustainable development that balances growth and conservation, decreases environmental degradation and protects the rights of local populations.²⁵ Effective, sustainable environmental and natural resource management will expand visible benefits for society -- including goods, services, economic

²² In 2019, the GOP doubled direct budget resources for the Regional Forest Authorities of Loreto, Madre de Dios and Ucayali (the largest three departments of the Amazon) for a total of \$5.7 million, which allowed the regions to implement new forest control and zoning. In 2019, Peru's Forest and Wildlife Service budget was \$32 million, and OSINFOR's (the forest supervisory function) budget increased by 40 percent to \$12 million. In addition, \$5.8 million were assigned to technological centers for the wood and forest industry (CITEforestal) in Lima, Loreto and Madre de Dios. The across the board budget increases contrast significantly with prior years.

²³ INTERPOL and the U.N. Environment Program elaborate this finding and the convergence of conservation and other international crimes in the 2016 report, Environment, Peace and Security? A Convergence of Threats. The study calls for a multidisciplinary approach to end the scourge of environmental crime, estimated to cost up to \$258 billion globally.

²⁴ Thomas Lovejoy and Carlos Nobre summarize this phenomenon and possible responses through "biologically-based" development and the protection of natural infrastructure in "Amazon tipping point: Last chance for action" Science Advances (20 Dec 2019: Vol. 5, no. 12)

²⁵ This end state incorporates the principles of USAID's Policy on Promoting the Rights of Indigenous Peoples. <https://www.usaid.gov/indigenous-peoples/usaid-policy-on-indigenous-peoples>

growth, security, health and ecological benefits. Benefits, in turn, will incentivize the state, citizens and private sector to better protect and sustainably utilize natural resources, and take further action to mitigate and adapt to the impacts of climate change.

Intermediate Results: Under IR 3.1, *National and subnational governance strengthened*, USAID will depart from past approaches to partner with a range of GOP ministries and agencies to address shared climate objectives. A priority is to craft and execute a coherent forest modernization action plan that contemplates roles for all forest users and authorities -- spanning national government, private sector, subnational, civil society and community actors -- to reduce conservation crimes, advance sustainable development, and ultimately meet climate and environmental goals.²⁶ This work will include developing a framework for climate finance and carbon markets. Other key ecosystems and natural areas will also be incorporated in coordination with the GOP, such as Andean watersheds where water security is affected by climate change, and maritime areas impacted by unsustainable fishing and plastic pollution.

The OECD identifies weak institutional capacity to be one of the key challenges impeding effective environmental and natural resource management. USAID will support GOP policy frameworks that outline responsibilities for the improved management of locally managed forests, private sector concessions, and fulfillment of regulations and oversight functions by GOP forest authorities. The Mission will also bolster subnational governments, another change from the last strategy, to build greater capacity to execute assigned natural resource budgets, implement climate-related activities, retain technical-level staff, and promote cross-agency coordination. USAID will support targeted GOP institutions to improve capacity to plan for and execute inclusive environmental management (meaning fully inclusive of women and Indigenous groups), in such as agencies as the National Forest and Wildlife Service, port authorities, and Amazonian Regional Governments of Loreto, Ucayali and Madre de Dios. USAID will also focus on more effective use of environmental data to coordinate public sector decision-making and expand sustainable growth. This includes coordination among forestry officials, national police, prosecutors, and the judiciary, to catalyze a whole-of-government systematic approach to combating conservation crimes.²⁷ Other activities will address oceans pollution, as well as illegal, unreported and unregulated (IUU) fishing, which harm aquatic ecosystems and threaten sustainable livelihoods for coastal and riverine populations.

USAID will also promote a One Health approach encompassing the nexus of human, animal and environmental health threats. Future disease outbreaks that threaten human health may emerge from animals living in wildlife-rich areas such as the Amazon basin. Areas of support may include, among others, antimicrobial resistance, zoonotic diseases, biosafety and biosecurity, national laboratory systems, surveillance, workforce training, health emergency

²⁶ Continued work with traditional sector-specific ministries, such Environment and Agriculture, is essential; however, the Ministry of Economy and Finance and the Council of Ministers, under the direction of the Prime Minister, are leading sweeping reforms that have the potential to accelerate Peru's modernization of its natural resource use for catalytic conservation-sensitive growth, if sustained.

²⁷ To help the GOP strengthen enforcement of environmental laws, USAID will help the GOP promote: (1) a whole of government approach to monitoring and enforcement; (2) raising awareness to generate political will for modernization of legal forest operations; (3) strengthening the forest communities at the forefront of illegal expansion; and (4) generating and disseminating science-based information for planning and decision-making.

management, infection prevention and control, risk communication, community engagement, and public health response at points of entry.

Under IR 3.2, *Public and private investment mobilized*, USAID will seek to transform financing by improving public sector investment tools and stimulating incentives for private investment to attract an estimated \$200 million for forestry, non-timber forest products; natural infrastructure projects; sustainable tourism in or near protected areas; and climate finance. USAID will help Peruvian government counterparts engage the private sector as an advocate, partner and role model for best practices to promote legal and sustainable management of timber and non-timber forest products and compensation for ecosystem services through natural infrastructure project implementation. This includes collaborating with the private sector and Indigenous communities to create market-oriented sustainable businesses that balance livelihood and conservation goals. The Mission will also engage with private and public investors to expand water security through the expansion of low- cost, sustainable natural infrastructure investments, including the accelerated investment of accrued payments for ecosystem services, promoting the long-term sustainability of these mechanisms. By working with public, private and community actors on a joint vision for development and investment, USAID will support Peruvian partners to support climate-smart growth and conservation through institutional, sustainability and inclusion.

Of note, USAID will facilitate expanded private sector participation in financing mechanisms such as Reducing Emissions from Deforestation and Forest Degradation (REDD+), the Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition, Regional Conservation funds, and nascent GOP-led Biodiversity and Enterprise Platforms to foster bio-business. USAID will continue long standing partnerships with timber producers to increase legal sources of wood to catalyze a sufficient and sustainable legal wood and non-timber forest product market through increased access to credit for legal wood and non-timber products, jobs in the formal forest sector and leadership roles for women and traditionally excluded populations.

Under IR 3.3, *Citizens' influence on decision- making and accountability increased*, USAID will support targeted populations -- especially Indigenous forest-dependent populations and communities in water- scarce areas -- to improve their organizational and technical skills and access to sustainable livelihood opportunities. In doing so, citizens will thus increase their ability to participate in planning and decision-making regarding infrastructure and extractive development, while increasing their oversight of investments and decisions to hold the government and other actors accountable. As a result, communities will have better managed environmental assets that yield greater and sustained economic, health, ecological and conservation benefits for the local population.

USAID will support municipal and community participation in decisions to expand natural infrastructure to ensure long term water security and healthy landscapes that build resilience to climate risk, natural disasters, and long-term water security. USAID will support local leaders, especially women leaders, and their involvement in community and municipal organizations to influence decision-making on climate activities, natural resource planning and local development. USAID will partner with Indigenous and local communities to support innovative

financing investment schemes that promote dynamic Indigenous economies around non-timber forest products, carbon credits, and sustainable agroforestry. USAID will promote the expanded use of life plans to support the sustainable development of Peru's Amazon Indigenous peoples through systematic inclusion of life plan objectives into regional government economic and land use planning, and as a means to achieve community self-reliance, conservation and climate goals. Previously used and recently fully recognized by the state, a life plan is a long-term, community-led plan for self-determined development that acknowledges the right of Indigenous societies to maintain their own culture and territory, while also elevating their participation in regional development efforts. Engagement with Indigenous communities will advance the implementation of the USAID Policy on Promoting the Rights of Indigenous Peoples, in particular Objective I, in support of their own development priorities and self-reliance. Indigenous organizations are a key group for USAID's localization efforts.

Linkage to USAID Country Roadmap: In the *Commitment* dimension, DO3 will build on positive policies and regulations to improve still insufficient monitoring, implementation and enforcement capacity in natural resource management (Economic Policy: Environmental Policy). In the *Capacity* dimension, DO3 will support the GOP to increase effectiveness in environment sector and address environmental crimes (Government Capacity: Government Effectiveness, Safety and Security); and will help Peru realize the economic potential of a sustainably managed forest sector (Capacity of the Economy: Export Sophistication).

Host country priorities: The National Policy on Forest and Wildlife Management, the National Strategy to Reduce Wildlife Trafficking, and National Climate Change Strategy are foundational documents that outline the GOP's approach to conserving natural heritage and mitigating and adapting to climate risks. The National Plan for Competitiveness and Productivity highlights bio-businesses under a sustainability pillar. USAID's interventions support these efforts. Globally, the GOP has set ambitious targets to reduce greenhouse gas emissions (GHG) and increase the country's resilience to climate change. Peru's Nationally Determined Contribution (NDC) to the UN Framework Convention on Climate Change (UNFCCC) aims to limit GHG by 30% to 40% by 2030 and become net carbon neutral by 2050.

Key GOP partners in the forest and environment sectors include the National Forest and Wildlife Service (SERFOR), OSINFOR, Presidency of the Council of Ministers, MINAM, Forest Conservation National Program, Protected Areas Service, Environmental Licensing Agency, Ministry of Agriculture Development and Irrigation (MIDAGRI), Ministry of Economy and Finance, Ministry of Justice, Ministry of Culture, Specialized Prosecutor for Environment, and the Regional Governments of Loreto, Ucayali and Madre de Dios. GOP partners in water security include the National Water Authority, Superintendence of Water and Sanitation Services, GOP's technological service centers include: CITEforestal Maynas in Loreto, CITEforestal in Ucayali. Water utilities include the regions of Piura, San Martín, Lima, Arequipa, and Cusco.

Other development actors: USAID will work with local and international private enterprises, such as Mirova Natural Capital, Amazon, Starbucks, BHP Foundation, Viridis Terra, and CI Ventures, among others, to promote sustainable investment through mutually-beneficial development

initiatives. USAID will collaborate with other private organizations, including impact investment funds and securities to foster green investment, as well as Peruvian business associations such as the Exporters Association (ADEX) and chambers of commerce across the country, and Indigenous community cooperatives with thriving forest-based business models. CSOs may include Amazon Indigenous federations,²⁸ water management committees, and faith-based organizations.

Donors working in Peru to advance similar outcomes include Global Affairs Canada, which provided \$12 million to co-fund USAID's natural infrastructure and water security project and is interested in future collaboration around illegal gold mining. The Norwegian Agency for Development provides co-funding for forestry and the reduction of deforestation and will make future investments in combating conservation crimes. Other like-minded donors include the Government of Germany and German Agency for International Cooperation, with which USAID collaborates on improved forest governance. USAID is a signatory of the Joint Declaration of Intent, to support Peru's climate adaptation and mitigation efforts, along with the governments of the United Kingdom, Germany, and Norway, which have committed \$480 million to the effort. Environmental donor coordination groups such as the Mesa Verde ("Green Roundtable") which include the European Union, the United Nations (UNODC, UNEP, UNDP), the Global Environment Fund, the Embassy of Sweden/SIDA, IDB, and World Bank.

USAID participates in a number of donor coordination fora especially to coordinate forest sector and environmental crimes interventions.

USG coordination includes the State Department's Office of Environment and Science, INL, Department of Interior's Fish and Wildlife Service, U.S. Department of Agriculture, and other USG members of the Embassy Environmental Working Group.

New modalities: DO3 modalities that *Redefine our Relationship* with the GOP include supporting the GOP to establish a more welcoming environment for investors in climate finance, including through monitoring and verification methods coordinated with the regional governments. To help Peru advance *Public Financial Management* and improve the GOP's capacity to effectively allocate and execute public resources to advance environmental priorities, USAID will support key environment entities to implement public management reforms, including budget formulation and execution for forest and wildlife resources, and preventing and countering environmental crimes. To further *Fiscal Transparency and Accountability*, USAID will strengthen oversight agencies to stem conservation crimes and promote formalization. This includes better reporting mechanisms, new policies and regulations, and incentives to improve transparency and accountability within environment authorities.

To advance *Private Sector Engagement* and *Localization*, the Mission will establish and diversify partnership platforms for conservation enterprises to promote innovative engagement. Platforms may identify investment opportunities in priority natural infrastructure and bio-

²⁸ Among the Indigenous federations are the regional groups AIDSESEP, CONAP, ORPIO, FECORITAYB, ACONAMAC, FECONALICM, and ACICOB.

business; implement schemes to advance the reduction of forest deforestation and degradation (REDD+); and engage businesses involved in global value chains and other businesses for climate projects. The Mission will also seek to reduce risk to private investment and facilitate the use of financial mechanisms, including carbon credits and corporate alternative-tax investments. Importantly, USAID will improve GOP capacity for private partnership promotion, including access to information and solid environmental supervision to reduce investor risk. To deepen localization, USAID will engage with emergent local organizations as partners through the program cycle, including national, subnational, local and Indigenous entities. USAID will roll out flexible and agile procurement arrangements to facilitate local partner engagements, and foster evidence-based, innovative solutions to locally-defined development issues.

Assumptions

1. Peru's commitment to address climate change and conserve biodiversity and sustain natural resources remains strong under current and upcoming GOP administrations throughout any potential economic downturn requiring budget adjustments.
2. GOP and USG entities maintain or increase their interest and long-term programming to address environmental crimes in response to growing national and global public concern.
3. GOP expands efforts to improve environmental governance, including addressing corruption and advancing civil service modernization in environment-related entities.
4. Business environment remains positive for sustainable business initiatives and practices, including policy dialogue, innovative partnerships, and the U.S.-Peru Trade Agreement.
5. Inclusivity and recognition of Indigenous rights continues to improve with attention given to ensure best environmental and social standards are practiced in native communities, such as respect for free and former prior consent laws.

Climate Risks

1. *Risk:* IR 3.1. may be impacted by reallocation of funds by the GOP to deal with impacts from climate change, including large infrastructure investments to respond to decreasing water resources from glacial melt or to respond to more frequent incidences of major flooding or other disasters.
Mitigation: The Ministry of Economy has made appropriate budget allocation a priority and is considering climate change laws and policies in their planning. Implementation of sound climate laws and policies will help to reduce the overall risk.
2. *Risk:* IR 3.2. may be impacted by climate events that affect public and private investment mobilization, as there is a moderate risk for the private sector to avoid investing in dispersed environmental management activities in remote regions with potentially high climate impacts.
Mitigation: Private sector firms can develop resilient business practices and make investments down their value chains, helping to mitigate some of these risks. USAID will support mitigation efforts by improving GOP capacity to monitor and report on deforestation and emissions reduction, as well as by improving regional and local land use planning and monitoring.

3. *Risk:* Under IR 3.3, there is a moderate to high risk that natural resource-based economic activities may be affected by climate events and trends, e.g., by disrupting ecosystem services provided by local communities, and making access to financial services difficult.

Mitigation: Businesses plans should incorporate sustainability considerations and safeguards. USAID technical assistance for climate smart agriculture will increase the overall number of viable bio-businesses and develop replicable resilient models.

SPECIAL OBJECTIVE (SpO4)

SpO4, Peru strengthens socio-economic integration of Venezuelan migrants and refugees, supports the CDCS Goal by working directly with Peru's government, civil society and private sector to help the country address the unprecedented development challenges resulting from the ongoing humanitarian crisis in Venezuela. As the second largest host nation for Venezuelan migrants and refugees, behind Colombia, Peru is directly impacted by Venezuela's ongoing humanitarian crisis. Numbers of Venezuelans in Peru have surged to an estimated 1.5 million, the majority of whom choose to remain in Peru rather than travel to another country, or return to Venezuela. On the plus side, there is strong evidence²⁹ that Venezuelan migrants have brought economic benefits as both workers and consumers. During the COVID-19 pandemic, hundreds of Venezuelan doctors and nurses made invaluable contributions to Peru's response. While the GOP generally supports efforts to regularize Venezuelans in Peru, government resources are stretched. Continued irregular status leaves the majority of Venezuelans marginalized, limiting their access to income and services. Socio-economic integration is a strategic priority for both Peru and the United States that requires a multi-pronged approach, incorporating sustainable economic opportunities, simplified pathways to legal status, and access to government and community services. The target group for activities under SpO4 are Venezuelan migrants and refugees. Benefits from the program may also reach other groups, including migrants from third countries, as well as Peruvian nationals residing in the targeted communities.

Development Hypothesis: If Venezuelan migrants and refugees have the necessary legal protections, and accompanying economic opportunities and social support through the participation of the public and private sectors, then sustained socio-economic integration will be achieved leading to further economic security for the host nation.

This Special Objective, new to the CDCS with the 2022 amendment, is added to recognize the unique development challenges posed by Venezuelan migration to Peru. The increase in numbers has been massive. In 2022, Peru is hosting an estimated 1.5 million displaced Venezuelans, up from 863,000 at the end of 2019. SpO4 establishes a strategic framework for the U.S. to address these challenges on a bilateral basis. This new Special Objective will continue these efforts while simultaneously facilitating legal status and support from Peru's

²⁹ For instance, the [World Bank](#) estimated that Venezuelan migrants and refugees could significantly contribute to tax revenues, labor productivity and GDP growth in Peru.

government and people. Regularization of status, along with access to basic rights and social services, are foundational requirements to guarantee sustained, long-term integration of migrants who are able to fully contribute to Peru's economy and society.

Link to Goal, Last-Mile Challenges: With numbers of migrants surging – from an estimated 7,000 in early 2016 to well over one million people in recent years – the unprecedented migration created unexpected burdens on the Government of Peru and tested the capacities of state institutions who were unprepared to deal with the magnitude of the challenge. USAID has provided emergency humanitarian assistance to countries in the region since the beginning of the crisis. Since 2019, USAID has complemented this with a regional development assistance program to facilitate economic integration of migrants. With this new Special Objective, USAID puts in place the framework for a more direct, bilateral partnership that underscores the importance of strong GOP leadership in implementing sustainable solutions. The vision is to increase opportunities for sustained socio-economic integration and strengthen the positive role in their contribution to Peru's economy and society. This will require regularization of legal status in parallel with economic and social integration. Peru's government will lead and coordinate this effort, with targeted support from USAID. Peru's migration agency, the National Superintendent of Migration, along with other responsible government entities, will take action to remove unnecessary legal and regulatory barriers to regularization and promote other pro-integration reforms, while also facilitating joint initiatives among government, civil society and the private sector to promote access to services and economic opportunities.

Intermediate Results: Under IR 4.1, *Increased sustainable livelihood opportunities*, USAID will continue to provide targeted assistance to enable the long-term integration of Venezuelans into the Peruvian economy, whether the route is via insertion into the formal workforce or small business ownership. Through regional programming, USAID partners have developed successful models to reduce the many barriers to financial security for this often-marginalized population. USAID has supported tens of thousands of migrants with job skill building, helped with job search, entrepreneurship training, professional certification, and access to financial services. USAID will continue to work with local non-governmental organizations and Peruvian private companies to facilitate placement of migrants and refugees in formal employment, identifying and filling gaps in the job market. To increase employability, USAID partners work with local educational institutions to deliver job-related training and skills development, often leading to new professional credentials. For the many migrants and refugees who are already highly qualified and hold a professional license or technical degree, including medical professionals and educators, the challenge is to secure local recognition of these qualifications so that these individuals can continue to work in their acknowledged profession. USAID works with local institutions to help migrants revalidate their professional degrees and technical certifications, and has already enabled over 1,500 Venezuelan professionals to receive accreditation to work on the formal economy in their area of expertise, among them 500 Venezuelan medical professionals.

USAID partners will help migrant-owned small businesses get established, including assisting with navigating licensing and other required administrative steps. Small business strengthening and entrepreneurship support includes both migrants and refugees who were business owners

before immigrating, as well as those who wish to start a business for the first time. USAID helps small businesses and aspiring entrepreneurs through intensive training, business development services, mentoring, business credit counseling, and in some cases access to seed capital. Many migrants and refugees, as well as local communities, lack access to basic financial services, or the knowledge of how to access such services, including essential savings, credit and insurance products. Migrants and refugees have often been excluded from financial services due to misinformation, poorly understood banking regulations, and other barriers. USAID provides training in financial literacy, and works with financial institutions, particularly credit and savings unions, to help them serve this new market. USAID will focus on the distinct challenges that women migrants and refugees face in pursuing economic opportunities, including the risk of gender-based violence. Specific interventions will address discrimination and other gender-based barriers to employment, entrepreneurship and financial services; and work to prevent and assist survivors of gender-based violence.

Through IR 4.2, Improved social and legal support from host government and communities, USAID will assist the GOP in its efforts to create an environment that facilitates migrant integration into Peruvian communities. Sustainable socio-economic integration requires a holistic approach that recognizes that equitable access to services is a fundamental right, and that streamlined and effective pathways to recognized legal status are a priority. Only about 500,000 Venezuelans (of the estimated 1.5 million total) have some kind of legal status in the form of a temporary visa or permanent residency. Without legal status, migrants lack equal access to health and education services and face barriers to employment opportunities, and are largely precluded from supporting themselves and contributing to the economic growth of the country.

Regularization of legal status is not only essential to integration, it also offers an additional layer of protection against discrimination, labor exploitation, trafficking in persons, and gender-based violence. USAID will work to accelerate regularization, in partnership with local NGOs, the Peruvian private sector, the National Superintendent of Migration, and other government entities. Working with local partners, including community organizations, USAID will pursue new avenues to help migrants and refugees navigate regularization processes and meet documentation requirements. One promising approach, begun in 2022, is to support migration service centers across the country to serve as one-stop-shops where migrants can register, receive information and file necessary paperwork. USAID's approach of collaborating with public officials, private sector entities, and community groups will contribute to a more rapid regularization of migratory status.

To strengthen social integration, USAID will support a policy environment that removes barriers to employment and increases equitable access to services, in collaboration with public officials, private sector entities, and community groups. USAID will also support initiatives to increase equitable access to education and health services, as well as mitigate rising xenophobia.

Linkage to USAID Country Roadmap: In the *Commitment* dimension, SpO4 will address gaps in equitable access to services and economic opportunities for Venezuelan migrants, including the special barriers faced by women migrants, in all their diversity (Inclusive Development:

Social Group Equality, Economic Gender Gap). In the *Capacity* dimension, SpO4 will support the GOP to develop and implement long-term solutions to migration management in the face of unprecedented challenges (Government Capacity: Government Effectiveness).

Host country priorities: The National Superintendent of Migration, part of the Ministry of Interior, is the GOP entity responsible for migration policy and migration management. The Ministry of Foreign Affairs manages applications for refugee status. The Migration Superintendent works with the Ministry of Foreign Affairs to issue temporary visas and together they are responsible for the temporary visa strategy. Other main GOP counterpart organizations important for employment and service delivery include the Ministries of Labor, Education, Health, and the Ministry of Development and Social Inclusion. Peruvian government entities, including the Migration Superintendent, have expressed a willingness to work with USAID to take steps to improve the regularization process and implement policies and programs in support of socio-economic integration.

Other development actors: USAID programming is part of a coordinated, whole-of-government approach to Venezuelan migration in the region. USAID/Peru has focused on long-term socio-economic integration through regional programming in Peru, Ecuador, and Brazil, while USAID's Bureau for Humanitarian Assistance programs have supported short-term humanitarian needs, including food assistance and cash transfers. The State Department's Bureau of Population, Refugees and Migration focuses on livelihood support and protection mechanisms for the most vulnerable, and assists governments with humanitarian response and regularization.

Other donors assisting with socio-economic integration of Venezuelans include the Spanish International Cooperation Agency (AECID), which has invested over \$50 million in assistance for Venezuelan migrants and refugees in Peru, and implements activities related to regularization, protection, and human rights, including preventing gender-based violence. The German Agency for International Cooperation (GIZ) supports regularization, livelihoods, education and institutional strengthening. Other donors supporting Venezuelan migrants and refugees include the European Union, South Korea, and Canada.

New modalities: To advance the Special Objective, USAID will implement new modalities related to *Redefining our Relationship* with the GOP. USAID will look to key counterparts, especially the National Superintendent of Migration, to lead the effort, while bringing in Peru's civil society and private sector to develop long-lasting solutions to socio-economic integration. The Mission's convening and financing role will be complemented by broader USG diplomatic dialogue and policy influence, as well as USG humanitarian assistance programs (through both the Department of State and USAID's Bureau for Humanitarian Assistance). USAID will provide specialized technical assistance to government entities charged with implementing the regularization process, including exposure to successful models from elsewhere in the region.

Private Sector Engagement and *Localization* modalities are essential for Peru to meet the challenges in facilitating the integration of migrants and refugees, and are core elements of USAID's approach to achieving this Special Objective. USAID's experience to date shows that,

when Peru's private sector is involved in defining solutions, there are measurable results in terms of job matches and new business opportunities. Examples include seeking private sector input in customizing job training to fill market gaps, in collaboration with local educational institutions; or working with financial institutions to identify ways to better serve what is potentially a lucrative new market. In addition to partnering with USAID directly, private companies and business associations are important voices in the national dialogue. They can help improve the enabling environment for migrants and refugees to become equal players in the economy by highlighting legal and regulatory roadblocks and suggesting workable reform options to streamline the steps toward regularization. Other key local actors include a range of locally-established NGOs active in this space who have built trusted relationships with migrant communities, including migrant advocacy organizations. USAID will seek to scale up successful approaches, while also continuing to convene private sector and civil society representatives to offer fresh perspectives and solutions. USAID will seek ways to strengthen local ownership, including through co-creation and capacity building with local partners for new awards.

Assumptions

1. Political will and public acceptance exist to support migrant integration, particularly pathways to legal status.
2. Support for migrants and refugees in Peru remains a USG priority with continued funding for development activities.

Climate Risks

The Mission performed a Climate Risk screening for all regional activities in support of the integration of Venezuelan migrants and refugees, and categorizing these activities as low risk for climate impacts, with no mitigation measures required. The findings include activities in Peru and carry over to the implementation of these activities on a bilateral basis.

V. MONITORING, EVALUATIONS AND LEARNING (MEL)

As USAID's engagement in Peru continues to evolve towards a strategic partnership, the Mission aims to learn, adapt and transfer USAID's knowledge, tools, methodologies and best practices to the GOP and other local stakeholders to ensure the sustainability of results achieved. USAID/Peru's monitoring, evaluation, and learning (MEL) approach supports this end, also embodying the principles of sustainable development.

This CDCS is focused on improving Peru's capacities and commitment to address specific strategic challenges, and USAID/Peru's Learning Agenda will focus on learning how best to improve the capacities and commitment of local actors in a sustainable way, namely government, civil society, private sector, and citizens. To this end, the Agenda focuses on five main themes:

- (1) Conditions for fostering private sector engagement;
- (2) Conditions for the GOP to improve capacities to deliver services in a more transparent and responsive way;
- (3) Factors that generate political will for institutional change;
- (4) Conditions for achieving individual behavioral change; and
- (5) How women's empowerment and social inclusion advance Peru's development objectives.

These themes will provide opportunities to contribute to the Agency learning agenda, especially in the topics of climate change, migration, locally-led development and partnerships. USAID/Peru will refine Learning Agenda questions during the updating of the Performance Management Plan (PMP).

The PMP provides the general framework for organizing USAID/Peru's efforts, and includes a range of indicators to track progress towards achieving CDCS results, inform the Learning Agenda, and monitor the operating context and assumptions. As a pilot Mission for the implementation of the Agency's Development Information Solutions (DIS) data platform, USAID/Peru will use DIS as the main repository for performance information, including indicator data, baselines, targets, and monitoring information. Monitoring activities will include joint site visits, use of Geographic Information System (GIS) data, and periodic feedback from USAID program participants.

Based on lessons learned from previous MEL efforts under the last strategy, USAID/Peru will plan evaluations to meet USAID's and stakeholders' learning needs, with an emphasis on tracking common themes across USAID's interventions and systematically testing the underlying development hypotheses. The evaluation plan will be anchored in assessing changes achieved as a result of USAID investments; it will derive from USAID Evaluation Policy requirements and robust project and activity MEL plans. Stemming from the five main Learning Agenda themes, evaluations will address: civil society capacity to combat illicit activities; results of private sector engagement efforts; sustainability of capacity development interventions; and

effectiveness of gender integration approaches, among other topics.

In keeping with USAID policy requirements and recommended approaches, USAID/Peru's MEL approach integrates several Collaborating, Learning and Adapting (CLA) practices, such as:

- **Joint tracking with GOP:** Consistent with the new modalities and approaches already in motion in USAID/Peru and the localization focus, the Mission, the GOP, and local partners will jointly establish and track indicators and qualitative tools to monitor changes in government capacity to perform essential functions using GOP data sources.
- **Mission-wide indicators:** To foster collaboration and learning across teams, USAID/Peru will develop joint definitions and tracking methods for specific indicators, such as increases in public and private investment in relevant areas of CDCS focus.
- **Knowledge transfer:** With the GOP and local stakeholders, USAID/Peru will co- create a vision and an agenda for collaborating, learning, and sharing knowledge from development initiatives among USAID and stakeholders, as well as use MEL- generated data to effect change. Using CLA approaches, the joint Knowledge Transfer Agenda will identify stakeholders' needs and focus on how USAID can best document and transfer to the GOP and other Peruvian institutions the knowledge, tools, methodologies, and best practices developed through our programs, thereby sustaining results for program participants.
- **MEL expert engagement:** USAID/Peru will systematically engage local MEL experts and champions in the USAID MEL activities, not only to conduct evaluations and learning activities, but also to promote a culture of the use of evidence for decision- making. For example, building on existing relationships and USAID's convening power, the Mission plans to convene a local MEL stakeholder advisory group to guide USAID's MEL engagement with partners and government counterparts. Areas of focus will: identify learning gaps; support dissemination and transfer of knowledge; ensure relevance of USAID MEL processes for the local context; closely align USAID and GOP MEL systems; strengthen existing MEL peer networks; identify priorities for building local MEL capacities; and use MEL to promote transparency and accountability.

The GOP's desire for OECD accession provides opportunities to advance the use of evidence-based policies and a results-oriented administration. One OECD recommendation for Peru is to improve monitoring, evaluation and accountability functions in the government, as these are necessary elements for effective and transparent management of public resources.

USAID/Peru will continue strengthening MEL practices among local partners, with a special focus on strengthening GOP MEL systems to promote the use of evidence for decision-making and use MEL-generated information for learning, accountability and improving the implementation of public programs. To sustain these efforts, USAID/Peru will support the GOP's Civil Service Authority to strengthen MEL functions throughout the public sector.

ANNEXES

- a. Peru Country Roadmap



Annex A: Peru Country Roadmap

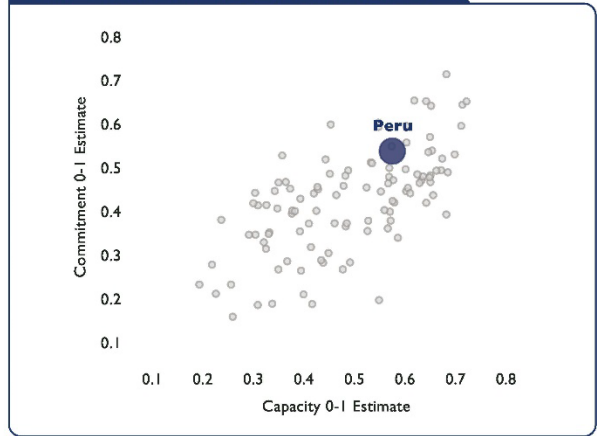
PERU FY 2023 COUNTRY ROADMAP



LEGEND

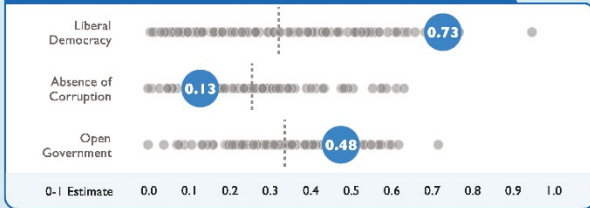


LOW- & MIDDLE-INCOME SNAPSHOT

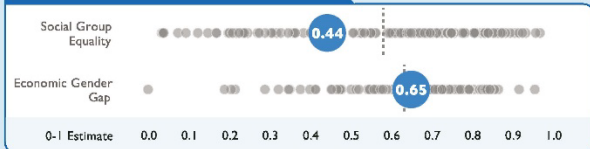


COMMITMENT

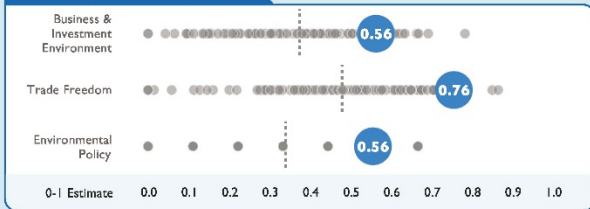
OPEN AND ACCOUNTABLE GOVERNANCE



INCLUSIVE DEVELOPMENT



ECONOMIC POLICY



RISK OF EXTERNAL DEBT DISTRESS

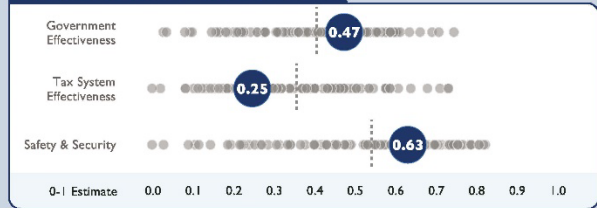
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FRAGILITY

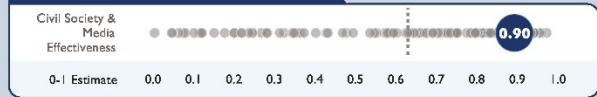


CAPACITY

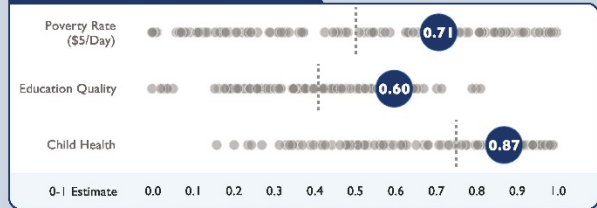
GOVERNMENT CAPACITY



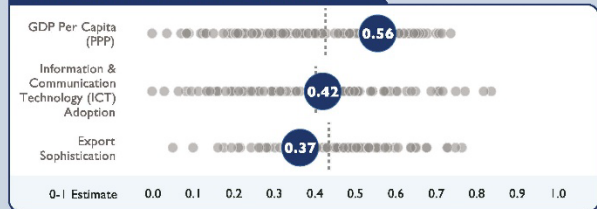
CIVIL SOCIETY CAPACITY



INDIVIDUAL CAPACITY



CAPACITY OF THE ECONOMY

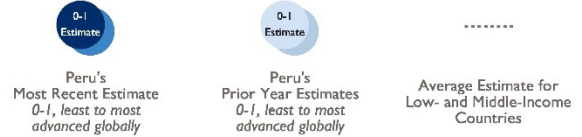




PERU

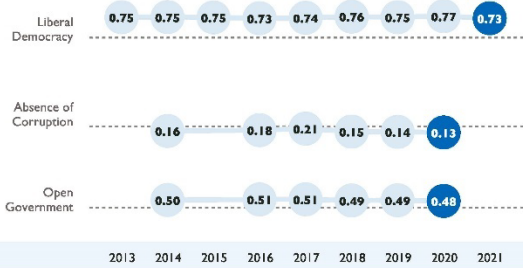
FY 2023 COUNTRY TRENDS

LEGEND



COMMITMENT

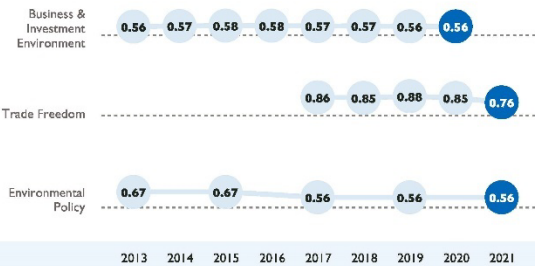
OPEN AND ACCOUNTABLE GOVERNANCE



INCLUSIVE DEVELOPMENT



ECONOMIC POLICY

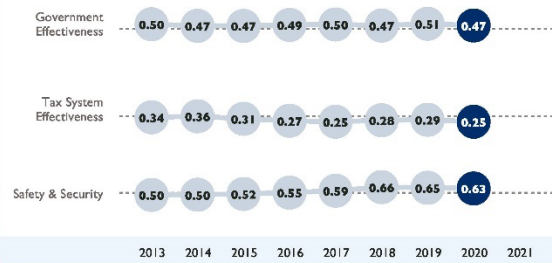


METHODOLOGICAL NOTES

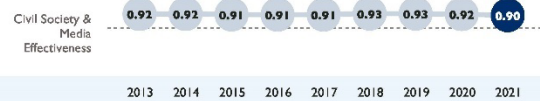
FY 2023 Country Roadmap results (darker shaded points) and prior year results (lighter shaded points) are normalized in the same manner to ensure comparability. In some instances, USAID has taken several additional measures to maximize comparability of results across time, including adjusting source reporting year to actual year of measurement and removing historical data that are no longer comparable due to methodological revisions. For more detail, please see the [USAID Country Roadmap Methodology Guide](#).

CAPACITY

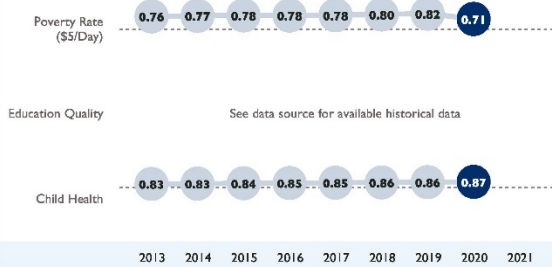
GOVERNMENT CAPACITY



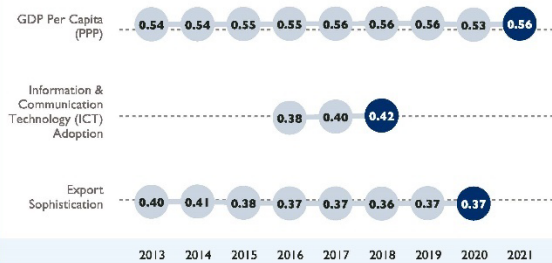
CIVIL SOCIETY CAPACITY



INDIVIDUAL CAPACITY



CAPACITY OF THE ECONOMY





COUNTRY ROADMAPS

INDICATOR DEFINITIONS AND SOURCES

The FY 2023 Country Roadmaps draw on the latest data available as of July 2022, with latest results typically covering the 2021 or 2020 period. All source data are derived from third-party institutions. All indicators are weighted equally in the calculation of the overall Commitment and Capacity estimates. Map boundary representations are not necessarily authoritative. For more information on definitions and sources, please visit roadmaps.usaid.gov.

COMMITMENT

OPEN AND ACCOUNTABLE GOVERNANCE

Liberal Democracy: Measures freedom of expression, freedom of association, suffrage, elections, rule of law, judicial constraints on the executive branch, and legislative constraints on the executive branch. Source: *Varieties of Democracy (V-Dem)*, *Liberal Democracy Index*.

Absence of Corruption: Measures the prominence of three forms of corruption—bribery, improper influence by public or private interests, and misappropriation of public funds or other resources—among government officials in the executive branch, the judiciary, the military, police, and the legislature. Source: *World Justice Project*, *Rule of Law Index*.

Open Government: Measures the degree to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy deliberations. Source: *World Justice Project*, *Rule of Law Index*.

INCLUSIVE DEVELOPMENT

Social Group Equality: Measures political equality with respect to civil liberties protections across social groups as defined by ethnicity, religion, caste, race, language, and region. Source: *Varieties of Democracy (V-Dem)*, *Social Group Equality in Respect for Civil Liberties*.

Economic Gender Gap: Index comprising five components: (1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts. Source: *World Economic Forum*, *Global Gender Gap Report*, *Economic Participation and Opportunity Sub-Index*.

ECONOMIC POLICY

Business & Investment Environment: A composite measure gauging the conduciveness of a country's (1) enterprise conditions—the degree to which market, entrepreneurial, tax, labor, and other regulations enable businesses to start, compete, and expand—and (2) investment environment—the extent to which investments are protected adequately through the existence of property rights, investor protections, and contract enforcement, as well as the availability of domestic and international capital. Source: *Legatum Institute*, *Prosperity Index*.

Trade Freedom: Measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Source: *Heritage Foundation*, *Index of Economic Freedom*.

Environmental Policy: Gauges the soundness of environmental stewardship and natural resource management, factoring an array of macroeconomic policies with environmental and climatic consequences, such as energy and tax policies, and incentives for firms and households. The metric also factors whether legislation and regulations are effectively executed, as well as the influence of stakeholders beyond the government, including the private sector and civil society. Source: *Bertelsmann Stiftung Transformation Index (BTI)*.

Risk of External Debt Distress: Rates each country's risk of public sector debt distress on a four-tier scale based on its debt and market structures, fiscal and macroeconomic outlook, and institutional capacity to manage debt burden. Ratings are available for 63 lower-income countries. Source: *International Monetary Fund*, *Debt Sustainability Analysis for Low-Income Countries*.

Fragility: Gauges the risk of the pressures facing each state overwhelming its capacity to manage those pressures, drawing on twelve key political, social, and economic indicators. Scores are provided on a 0-120 scale, with higher scores representing greater fragility. Source: *Fund for Peace*, *Fragile States Index*.

CAPACITY

GOVERNMENT CAPACITY

Government Effectiveness: Measures the quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies. Source: *World Bank*, *Worldwide Governance Indicators*.

Tax System Effectiveness: Ratio between a country's actual tax collection and the estimated level of tax revenue that a country could achieve, given its macroeconomic, demographic, and institutional features. Source: *USAID*, *Collecting Taxes Database*, *Tax Effort Indicator*.

Safety & Security: Measures the degree to which individuals and communities are free from war and civil conflict, terrorism, politically related terror and violence, violent crime, and property crime. Source: *Legatum Institute*, *Prosperity Index*.

CIVIL SOCIETY CAPACITY

Civil Society & Media Effectiveness: Measures the range of actions and mechanisms that citizens, civil society organizations, and an independent media can use to hold a government accountable. The mechanisms include using informal tools such as social mobilization and investigative journalism. Source: *Varieties of Democracy (V-Dem)*, *Diagonal Accountability Index*.

INDIVIDUAL CAPACITY

Poverty Rate (\$5/Day): Measures the percent of the population living on less than \$5/day in purchasing power parity (PPP) terms. Source: *World Bank*, *Poverty and Inequality Platform*.

Education Quality: Gauges both the quality of education—using harmonized scores across major international student achievement testing—and the quantity of schooling received—using age-specific enrollment rates—to evaluate the relative performance of educational systems worldwide. Source: *World Bank*, *Human Capital Index*, *Learning-Adjusted Years of Schooling Indicator*.

Child Health: A composite measure that aggregates child mortality, access to at least basic water sources, and access to at least basic sanitation facilities. Source: *Columbia University Center for International Earth Science Information Network (CIESIN)*.

CAPACITY OF THE ECONOMY

GDP Per Capita (PPP): Measures the flow of resources available to households, firms, and government to finance development as the country's total Gross Domestic Product (PPP) divided by the country's population. Source: *World Bank*, *World Development Indicators*.

Information & Communication Technology (ICT) Adoption: Index comprising: (1) mobile-cellular telephone subscriptions; (2) mobile-broadband subscriptions; (3) fixed-broadband internet subscriptions; (4) fiber internet subscriptions; and (5) internet users. Source: *World Economic Forum (WEF)*, *Global Competitiveness Index*.

Export Sophistication: Measures the diversity and ubiquity of a country's exported goods, key markers that can help gauge economic sophistication and resilience. Source: *Center for International Development at Harvard University*, *Economic Complexity Index*.