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COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS)

May 20, 2020 – May 20, 2025

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
AFIN	Association for Promotion of National Infrastructure
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
CIAT	International Center for Tropical Agriculture
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
DEA	Drug Enforcement Agency
DEVIDA	National Commission for Development and Life without Drugs
DIS	Development Information Solutions
DO	Development Objective
ENRM	Environment and Natural Resources Management
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
G2G	Government to Government
GDP	Gross Domestic Product
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

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LAC	Latin America and the Caribbean
LGBTI	Lesbian, Gay, Bisexual, Transgender and Intersex
MEL	Monitoring, Evaluation and Learning
MINAGRI	Ministry of Agriculture and Irrigation
MINAM	Ministry of Environment
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization
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
RPP	Radio Programs of Peru
SECO	Swiss State Secretariat for Economic Affairs
SERFOR	National Forest and Wildlife Service
SIDA	Swedish International Development Cooperation Agency
SPSD	Standardized Program Structure and Definitions
TIP	Trafficking in Persons
U.S.	United States
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
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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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, corruption and over-exploitation of natural resources.*** 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 limitations in government effectiveness, corruption control, and legal security to avoid the possibility of reversing the accelerated growth and social advancement from past years. The Government of Peru's (GOP) strong commitment to reforms must be paired to an increased capacity to effectively implement public policies to address intractable last-mile challenges, especially in rural areas with incipient state presence. To help Peru consolidate its self-reliance 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 and environmental crimes -- activities in many cases associated with transnational criminal organizations -- which currently present a risk to peace, security and 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): Peru expands economic and social development to sustain coca reductions (DO1); Peru increases public integrity to reduce corruption (DO2); and Peru strengthens sustainable environment and natural resource management to expand economic and social benefits (DO3).

The goal and DO statements emphasize Peru's leading role and responsibility to address its development challenges. USAID's Country Roadmap for Peru (Annex A) portrays important strengths including: stable economic policies; commitment to free trade; strong national media and civil society; and sustained health and education coverage (though quality varies greatly). The roadmap also highlights areas in which Peru lags, in particular: limited government effectiveness, deep-rooted social group inequality, persistent gender gaps, and limited exports sophistication. Three 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; (2) the extent of corruption, documented by Peru's position in integrity and international corruption indexes where it ranks within the lowest third worldwide; and (3) the limited effectiveness of conservation and management efforts in the face of environmental crimes, especially in the Amazon where deforestation continues to increase year after year. 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 and ultimately assists other countries on their self-reliance paths.

Under the new 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 a sustainable, licit economic alternative, 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.

DO2 will support the objectives of Peru's National Anti-Corruption and Integrity Strategy, derived from Organization for Economic Cooperation and Development (OECD) standards. 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.

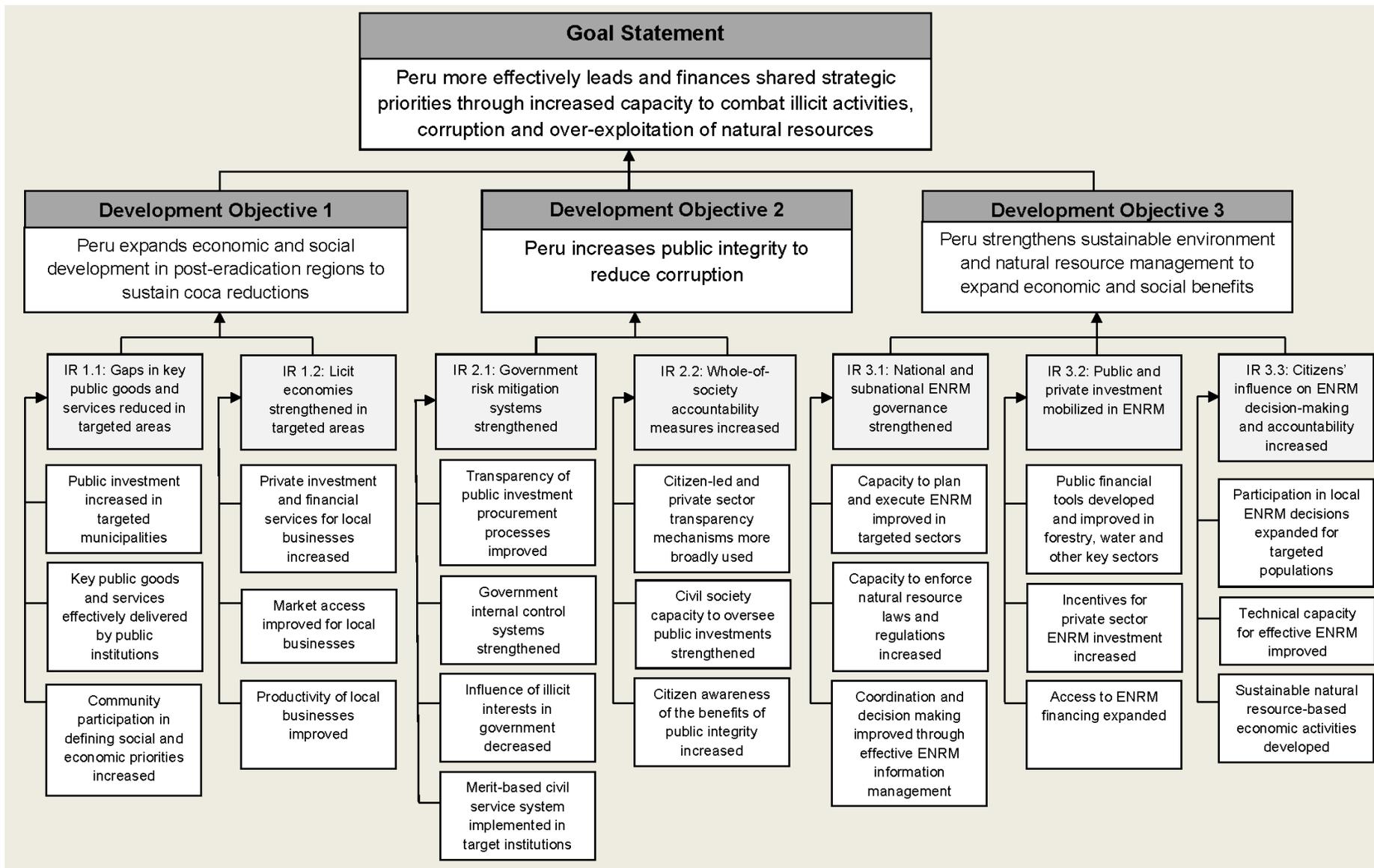
DO3 will strengthen government capacities in the environment sector to manage Peru's vast Amazon and Andean resources, bridging the gap between government and private sector actors to advance sustainable financing and meet environmental management and conservation goals. USAID will improve the GOP's capacity to enforce laws against environmental crimes, in particular illegal logging and mining that fuel transnational criminal organizations, and to dynamize public and private resource mobilization to support sustainable, profitable growth that also protects Peru's natural resources. USAID will support civil society organizations, 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.

USAID's strategy contributes significantly to and is fully aligned with the following four goals in the U.S. Embassy Integrated Country Strategy for Peru to: (1) support Peru's aspirations for regional and global leadership; (2) build Peru's institutional capacity to reduce the influence of transnational criminal organizations; (3) promote economic opportunities for U.S. businesses;

and (4) strengthen citizen safety and security. These goals reflect the priorities of the U.S. National Security Strategy and the Department of State and USAID Joint Strategic Plan (2018-2022). USAID's bilateral program in Peru is complemented by the South America Regional operating unit, with two programs: the Amazon Regional Environment Program and Support for Venezuelan Migrants. Properly responding to increased migration from Venezuela is a high priority for both Peru and the United States, especially as population inflows strain the GOP's capacity to provide basic services to citizens and the 860,000 Venezuelans officially registered in Peru. Accordingly, the Mission will work with the GOP to assess the best approaches to continue to address this priority situation.

Note: This CDCS was developed and finalized in early 2020 as COVID-19 became a global pandemic. Independent of this CDCS framework, USAID/Peru has responded with new resources to reduce and mitigate the effects of COVID-19 in Peru. USAID will continue to monitor its impact, and if needed, the Mission will re-evaluate the strategic approach to make adjustments within available funding, as necessary and relevant.

Results Framework Diagram – Peru CDCS 2020 - 2025



II. COUNTRY CONTEXT

Overview: Peru's transformation over the past 20 years constitutes a remarkable success story of country development and sustained USAID cooperation. Peru has emerged as a stable force and reliable U.S. partner in a region with persistent foreign policy and development challenges. Peru has seen five peaceful democratic transitions of power in the last two decades. Poverty has fallen from 55 percent in 2001 to around 20 percent today, albeit much higher in rural areas. Trade with the United States has more than doubled in the past 10 years under the U.S.-Peru Trade Promotion Agreement. Government capacity has improved in many areas, enabling the country to plan, finance, and implement its own development solutions in different sectors. As Peru prepares to mark its bicentennial in 2021, the nation's aspiration to join the Organization for Economic Cooperation and Development (OECD) has driven significant reforms in areas related to economic growth, public governance, anti-corruption, human capital, and environment.¹

Despite these gains, several unrelenting challenges hinder the consolidation of Peru's self-reliance. Reforms have not remedied the country's persistent corruption, historical social and economic inequalities among minority ethnic and racial groups, as well as women, nor increasing citizen insecurity, 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. Weak governance, especially at the sub-national level, and unsustainable practices further threaten natural resources in Andean waters and vast Amazon forests, comprising 60 percent of Peru's territory.

Peruvians have endured political instability in recent years. Lower prices for commodities have slowed down Peru's economic growth to 2.2 percent in 2019, down from an average 5.6 percent between 2002 and 2015, 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.³ The arrival of over 860,000 registered

¹ Peru's OECD Country Program, launched in 2015, is built around the five areas listed and includes policy reviews, capacity building projects, participation in OECD Committees and adherence to selected OECD legal instruments.

² Peru's Ministry of Women and Vulnerable Populations reported 166 femicides in 2019, the highest rate in 10 years.

³ The recent constriction of the economy due to the COVID-19 pandemic (which began after the approval of the strategy) will present challenges to reactivating growth. The [International Monetary Fund reports](#) that the growth projection for Peru in 2020 "has been revised down markedly to -14 percent, as weaker external demand and a longer than expected lockdown period have so far more

migrants since 2018 fleeing Venezuela's humanitarian crisis further strains the government's ability to provide basic services to its population, including health, education and citizen security, and it is perceived by many citizens to cause a displacement of Peruvians in the labor market, leading to an increasing concern about xenophobia.⁴

USAID Country Roadmap: Peru's overall positive but still complex development scenario is reflected in the USAID Country Roadmap (Annex A), which tracks 17 development indicators from international data sources. Peru is among the countries comparatively advanced on its journey to self-reliance, 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; 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: limited government effectiveness; deep-rooted social group inequality⁵ and persistent gender gaps; and limited 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, corruption 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 an estimated coca cultivation of 52,100 hectares and cocaine production potential of 509 metric tons in 2018. On corruption, Peru ranks below the Latin America average on two integrity indices not included in the USAID Roadmap -- the Heritage Foundation government integrity index

than offset the government's significant economic support and translated into large employment losses. With the lockdown restrictions lifted in the second semester, economic activity is expected to gradually recover, reaching a 6½ percent expansion in 2021."

⁴ In a recent 2020 [survey from the Public Opinion Institute](#) of the Pontifical Catholic University of Peru, 75.7 percent of respondents agree with the statement "Venezuelans are taking employment from many Peruvians." In the 2019 [Americas Barometer](#) survey (Vanderbilt University), 63 percent of Peruvian respondents said, "the arrival of Venezuelans in Peru has been negative."

⁵ 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.

(2020), and Transparency International corruption perception index (2019). Also, Peru's World Economic Forum's 2019 competitiveness ranking fell four positions in the transparency index measuring perception of public corruption, entering the group of the 50 lowest-ranked countries among the 141 evaluated.

Peru achieves high marks in the biodiversity and habitat protection roadmap metric, consistent with the extension and the biological significance of the country's protected areas. However, this positive commitment measure does not reflect the limits of conservation, management, and growing but insufficient public resource allocation in the face of increasing environmental crimes, especially in remote areas, as well as overexploitation and unsustainable planning. Annual forest loss in Peru has dramatically increased from 63,415 hectares (ha) in 2001 to 154,766 ha in 2018, while reforestation efforts achieved 41,357 ha in 2001 but only 13,424 ha in 2019⁶. While the GOP's environment and natural resources management capacity has improved since environmental agencies were created a decade ago, 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, and reinforcing Peru's efforts as an emerging regional leader, are the most important U.S. foreign policy goals 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 USG's engagement:

1. Support Peru's aspirations for regional and global leadership to continue to play a positive role upholding democratic institutions in regional and international bodies.
2. Build Peru's institutional capacity to reduce the influence of transnational criminal organizations, especially combating illicit drug trafficking, environmental crimes, and financial crimes.
3. Promoting economic opportunities for U.S. businesses to solidify the United States' position as trade and investment partner of choice, while promoting good governance to prevent corruption and improve the investment climate.
4. Strengthen citizen safety and security, building Peruvian capacity to mitigate the risks posed by natural disasters, climate events, crime, and terrorism, and to respond to such events.

USAID coincides with the Vizcarra Administration's priorities to promote public integrity and combating corruption; strengthen institutional capacity for governance; further equitable and sustainable growth (including by combating illegal development, such as

⁶ Source: Peru's National Institute for Statistics and Informatics, Anuario de Estadísticas Ambientales 2019.

mining and logging); and improve citizen security,⁷ including regaining control of major illicit coca-growing areas, particularly the Valley of the Apurimac, Ene and Mantaro Rivers (VRAEM), the last area where remnants of the terrorist group Shining Path still operate. 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, and National Competitiveness and Productivity Plan demonstrate Peruvian-led development in areas of mutual interest.

The Mission consulted with the GOP during the CDCS design process, 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.

Peru's Presidential and Congressional elections in April 2021, the same year as the nation's bicentennial, will bring new national leadership and an opportunity to review and reaffirm these priority areas, which have been at the forefront of both nation's policy commitments for multiple administrations. Although Peru's top officials will change, the importance of pursuing OECD accession, promoting equitable and inclusive growth, and shoring up state capacity to combat corruption and illicit activity will remain fundamental to sustained development.

⁷ Peru's [Supreme Decree No. 056-2018-PCM](#) approving the Government of Peru's General Policy through 2021.

III. STRATEGIC APPROACH

Background: USAID's presence in Peru for nearly 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 entire sectors (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 self-reliance progress and increased Peruvian public resources (e.g., a \$480 million 2018 USAID agreement with Peru's Ministry of 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.

The new CDCS continues and deepens the transition process started in the prior strategy, maintaining the focus on three development sectors -- Alternative Development, Governance, and Environment -- given their core relevance to address last-mile challenges to Peru's self-reliance and mitigate risks of backsliding. The new strategic approach also elevates USAID's new self-reliance concepts and tools to define 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 sustainable future.*** USAID/Peru has reframed its relationship in Peru to catalyze Peruvian leadership, expertise, and resources to confront shared challenges and promote mutual benefit.⁸

⁸ USAID's Journey to Self-Reliance framework considers a strategic partnership with self-reliant nations, like Peru, as one that leverages USAID resources to catalyze and mobilize local resources

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. top policy priorities in Peru, 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, 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 also 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 is now critical to providing a range of emergency, transition and economic integration assistance to support Venezuelan migrants in Peru and nearby countries.

New Modalities: While relevant current modalities will continue in this CDCS, other modalities will provide new tools to leverage USAID's reputation, long-term relationships

for the nation's own vision for development, while reinforcing local capacity and supporting host country commitment. See <https://www.usaid.gov/selfreliance>.

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 Memorandum 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, and as needed will selectively use direct government-to-government arrangements to facilitate rapid deployment of GOP programs. USAID will facilitate the GOP's expanding technical cooperation initiatives with developing countries. Staff will 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.

Financing Self-Reliance: The GOP has substantially increased its revenues and improved its overall fiscal management. On the other hand, development investment in areas vulnerable to illicit and unsustainable activities 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: 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. USAID will roll out flexible and agile procurement arrangements to engage local partners and foster evidence-based innovative solutions to local 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 self-reliance 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 will be launched by 2021.
- USAID/Peru will employ procurement reform priorities to increase the ability for more flexible procurement and adaptive management, collaboration and 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.
- USAID/Peru will also support Peru as an emerging assistance provider through trilateral cooperation with other LAC region countries, through links with USAID Central America and South America Regional Programs. A support platform to promote Peruvian-led trilateral cooperation is planned by 2022.

In the three 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 out of regions where efforts are consolidated, while GOP counternarcotics counterpart DEVIDA will lead government interventions in more complicated, coca-rich regions.
- As existing alliances end by 2022, the Mission and DEVIDA will engage private sector firms to establish new commitments to invest up to \$300 million 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), GOP sub-national environmental entities will more effectively control the management and oversight of forestry concessions and increase enforcement of environmental law 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 2023.
- The GOP will foster investment in sustainable natural resources management, with GOP-managed funds for ecosystem services payments in prioritized watersheds fully operational by 2023. To mobilize private sector resources, a new joint investment platform for conservation businesses will become operational in 2021. These efforts will leverage \$200 million in private investment by 2025.

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, corruption and over-exploitation of natural resources*** -- recognizes Peru's capacity and commitment to conceive and implement its own development solutions, as one of USAID's most self-reliant partners. USAID's engagement therefore focuses on advancing 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 and protect democratic liberties. Peru has made evident its commitment in favor of responsive governance and decentralized democratic institutions. Nonetheless, to consolidate self-reliance and avoid backsliding, the GOP must strengthen currently fragile institutions, thus ensuring effective government presence in remote areas where illicit activities thrive, including narco-trafficking and environmental crimes of transnational criminal organizations.

The CDCS Goal reflects the GOP's commitment to addressing these challenges and promoting fully inclusive development for all Peruvians, as well as recent immigrants, as evidenced by policy statements, government actions, and sustained 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 sustainable development in vast areas affected by illicit activities and 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 negatively affects 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, 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) 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 self-reliance. The proposed IRs, sub-IRs, modalities and approaches reflect our proposed transition in the Mission's roles and business model, applying key self-reliance approaches to assist Peru address last-mile challenges in support of our mutual interests.

B. DEVELOPMENT OBJECTIVE RESULTS STATEMENTS AND NARRATIVES

DEVELOPMENT OBJECTIVE 1 (DO1)

DO1, Peru expands economic and social development in post-eradication regions to sustain coca reductions, supports the CDCS Goal by advancing Peru's capacity to lead and finance the fight against illicit drug trafficking, a Peruvian government priority, U.S. foreign policy priority, and a necessary condition for Peru's aspirations to join the OECD. Peru remains the world's second-largest cocaine producer after Colombia, with an estimated coca cultivation of 52,100 hectares and cocaine production potential of 509 metric tons in 2018. However, the results of GOP-USG integrated counternarcotics interventions show that when jointly implemented, manual eradication (implemented by the GOP with support from State Department's International Narcotics and Law Enforcement (INL) Section) and Alternative Development programs (implemented by the GOP's counternarcotics agency, DEVIDA with support from USAID) have enabled Peru to sustainably reduce coca cultivation. This result was remarkable in Peru's San Martin region, where coca crops were reduced from 23,000 hectares to less than 1,000, enabling sustained economic and social improvement deemed the "San Martin Model."⁹ Similarly, the former narco-terrorist haven of Monzon Valley in the Huanuco region saw coca cultivation drop by 97 percent with combined eradication and integrated alternative development programs. In contrast, in areas where eradication was applied in isolation without alternative development, coca reductions did not sustain, and illicit coca hectareage returned to pre-eradication levels.¹⁰

This evidence supports the basic approach of Peru's counternarcotics strategy of including integrated alternative development as an indispensable component, along with eradication and law enforcement interventions, to reduce coca and cocaine production, and USAID will continue to play its role along with INL and the U.S. Drug Enforcement Agency (DEA) to support the GOP's national counternarcotics strategy. Looking forward, as Peru shifts its alternative development activities to new regions with high concentration of illicit coca crops, USAID will accompany the GOP in a manner that underscores Peru's leadership and financing of the fight against illicit drug trafficking.

Development Hypothesis and Description: If (a) Peru's national and local public institutions increase their capacity to respond to community priorities, deliver basic public services and improve enabling conditions in target post-coca eradication areas, and (b) key private

⁹ UN Office of Drug Control, *El Modelo de Desarrollo Alternativo de la Región San Martín*, 2011.

¹⁰ USAID analysis of UNODC data from 2011-2017. (Latest data available from UNODC.)

sector companies strengthen licit economies (i.e., cacao, coffee, other goods and services) in target regions through new investment and financial and technical services, then communities and families can earn a licit income, enabling them to leave coca cultivation behind and enabling Peru to sustain its coca reductions. When coca reductions are sustained through this approach, there is less illegal coca available fueling the counternarcotics trade of transnational criminal organizations, a pillar of the USG and GOP counternarcotics strategy in Peru.

USAID's integrated alternative development work with the GOP is part of USG's three-pronged approach to counternarcotics. This first element (alternative development), led on the USG side by USAID, involves support to farming families to transition to licit crops, access to financial and technical services, connections to producer associations and buyers, and assistance to local governments to improve investment. A second element, the forced 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. The third element, law enforcement interdiction to bring drug trafficking transnational criminal organizations to justice, is led by special, vetted PNP units.

Link to Goal, Last-Mile Challenges: Since 2013, USAID's alternative development assistance in Peru, combined with USG support for eradication and other joint GOP-USG law enforcement efforts, has helped the country to substantially reduce coca cultivation, and subsequently cocaine production. Peru's economic growth in the last 15 years has increased the GOP's public revenue. This has enabled the GOP to now fund approximately 60 percent of national alternative development efforts and 75 percent of coca eradication operations. Yet, public resources do not effectively reach rural, isolated areas such as the VRAEM, an illicit coca stronghold with a long-time presence of the narco-terrorist group, Shining Path. Here and in other areas, poverty – underpinned by insecurity, isolation, inadequate state presence, plus absence of the rule of law -- provides fertile ground for illegal coca cultivation.

Over the next five years, USAID will partner with the GOP to strengthen local government institutions and rural markets so that resources are used more strategically and efficiently, while also lowering risks for private investors. With USAID's targeted support, combined with coca eradication, the GOP's lead Counternarcotics Development Agency (DEVIDA) will build on its successful "sustainable integrated alternative development model," based on its experience with USAID over the last 20 years. DEVIDA will adapt and extend this approach into new, more challenging areas where most illicit coca is grown. The objective is to provide rural poor a sustainable, licit economic alternative, thereby enabling farmers to stay away from illicit coca cultivation, reducing inputs for drug trafficking organizations, and enabling increased private sector and market-led development.

By the end of the CDCS period, DEVIDA and other GOP entities will have the capacity to replicate successful integrated alternative development programs in the VRAEM and other

new, challenging illicit coca-producing areas, primarily using domestic resources, and in partnership with the private sector and civil society, including faith-based organizations. In consultation with DEVIDA, USAID will phase out interventions in areas of long-term investment and consolidated development. USAID will scale and replicate its private sector engagement efforts in select 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 assist the GOP in its efforts to reduce economic and social gaps in targeted districts and areas with an inadequate provision of public goods and services by government entities. Local governments in coca-producing regions have a history of low levels of budget execution, and the resources that they do expend suffer from poor targeting and low-quality impact. A significant portion of DEVIDA's annual budget is executed through transfers to local governments, which are implemented through procurement to private companies. More significant central 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.

Consistent with Financing Self Reliance, USAID will focus on reinforcing the work of DEVIDA, the Ministry of Economy and Finance and other relevant GOP entities, including local and regional governments, to deepen their commitment and capacity to increase effective state presence and more effectively allocate, target and execute public investment for basic goods and services. USAID will also work with these institutions to foster social capital and the full inclusion of women in communities, who are essential to sustained local development and a licit economy.¹¹¹²

In addition, USAID will continue supporting DEVIDA to scale up post-eradication assistance to community groups and alternative crop farmers, as well as to assist sub-national governments to spur economic development and invest in public services, using GOP resources. USAID will also work with the Ministry of Finance on the design and implementation of regional public investment projects to further augment development impact. Improving citizen participation in investment prioritization and monitoring implementation is key to controlling the corruption that is a significant constraint to effective local government procurement processes.

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.

Under IR 1.2, *Licit economies strengthened in targeted areas*, USAID will take a market-based approach to unlock private investment to expand licit value chains and catalyze sustainable and inclusive growth in local economies. USAID will partner with the private sector to promote enterprise-based development through the provision of the technical, financial and other services for men and women farmers, producer organizations and local businesses need to increase productivity and access markets. The next generation of USAID partnerships will look to work directly with major national and international buyers in order to increase the number of farmers in target regions that are directly linked to the 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, data-driven risk management and digital delivery platforms, as well as equal access to male and female clients.

Specifically, USAID will scale and replicate efforts to expand private sector investments to establish and expand licit value chains, as well as financial and communication services required to dynamize local economies by further developing licit livelihoods, improving digital connectivity and accelerating financial inclusion. USAID will also 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. The Mission will also introduce new modalities for sustainability of technical assistance delivery (e.g. technical agents, supply chain managers, business advisory services).

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); and will address obstacles for private investment at local level (Economic policy: Business Environment). 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 (Citizen Capacity: Poverty rate, and Capacity of the Economy: ICT use).

Host country priorities: As articulated in DEVIDA's National Counternarcotics Strategy, the GOP seeks to improve citizen security, including regaining control of major illicit coca-growing areas, in particular the VRAEM. Increasing GOP budget allocations to counternarcotics 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 2019. Similarly, Peru's eradication budget went from zero in 2012 to \$30.3 million in 2019. 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 alternative development regions and highlights Peru's leadership to consolidate its leadership of these programs.

Main GOP entities involved in alternative 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 areas.

Other Development Actors: USAID will engage with private companies and business associations, including Regional Trade Chambers and the Exporters Association (ADEX), the Cacao Producers Association (APP Cacao), and farmer cooperatives and producer associations (formal and informal) 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 very limited. The U.S. 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 (CIAT) 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 issues.

New modalities: Amplifying Section III, the Mission will implement a number of new modalities focused around key self-reliance concepts. In *Redefining our Relationship* with the GOP, USAID will continue to support DEVIDA and other GOP entities to build their capacity to replicate successful alternative development programs in new, challenging illicit coca-producing 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. USAID will detail staff to our GOP counterpart DEVIDA, when needed, to reinforce consultation mechanisms, including joint design of programs, developing institutional capacity, and prioritization of public investments.

USAID will help the GOP strengthen *Public Financial Management* and the capacity to effectively execute Peru's public resources, especially at the sub-national level, to increase effective state presence and secure basic public services in priority areas. USAID's tripartite \$480 million MOU with DEVIDA and the Ministry of Economy and Finance reinforces the GOP aspiration to allocate additional investment for the provision of basic services in priority alternative development regions. USAID will continue implementation of this MOU by supporting DEVIDA to scale up post-eradication assistance to community groups and alternative crop farmers, as well as to assist sub-national governments to spur economic 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*, USAID will scale and replicate successful alliances that have leveraged private sector investments to establish and expand licit value chains, as well as financial and communication services required to dynamize local economies. 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, the mission seeks to leverage \$300 million in private finance in support of DO1.

Assumptions

1. GOP administrations will sustain policies, resources, and support for alternative development, and continue with high levels of coca eradication with commensurate GOP alternative development support and other resources.
2. The GOP continues reinforcing decentralized governance in a way that allows USAID to work with national and local agencies to fund and bring services to alternative development areas.
3. The current and upcoming GOP administrations sustain interventions and investment in the VRAEM region to eradicate coca and promote alternative development in a whole of government approach, so that sufficient infrastructure and security are provided, complemented with focused USAID development assistance.

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 (Attachment E) 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.

DEVELOPMENT OBJECTIVE 2 (DO2)

DO2, Peru increases public integrity to reduce corruption, supports the CDCS Goal by addressing a major risk for backsliding on a range of development gains. Although moderately highly ranked on government effectiveness metrics, high-visibility corruption cases reveal institutional weaknesses and have taken a toll on Peru's political stability and investment climate. Corruption in Peru is widespread.¹³ 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 both public and private services is rampant, with one in four Peruvians victimized by corruption in 2019¹⁴. Corruption has also 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. The Vizcarra Administration has built strong momentum to fight against corruption, 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.

Development Hypothesis: If (a) Peru fully implements its National Plan for Public Integrity and Anti-Corruption to strengthen targeted government internal controls, risk mitigation and public oversight systems and (b) Peruvian society increases multi-sector (or whole-of-society) accountability within the government, individual citizens, civil society groups, and private sector companies, then Peru will increase public integrity and more effectively mitigate and prevent corruption. Building public integrity to reduce corruption is a last-mile effort that will improve Peru's public expenditures and investment, especially where state presence is limited and Peru's development challenges are most acute.

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.¹⁵ It includes accountability, transparency, inclusiveness and responsiveness in government and is a foundational

¹³ 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.

¹⁴ Americas Barometer Peru 2019.

¹⁵ OECD Council on Public Integrity, "2017 Recommendations on Public Integrity."

element of Peru's government modernization program to gain accession to the OECD. This continued evolution is essential for Peru to lead and finance its development, as well as joint strategic priorities.

Link to Goal, Last-Mile Challenges: In Peru, the cost of corruption –estimated to be more than \$4 billion in 2019¹⁶ – drains economic, political and social development, contributing to a lack of citizen confidence in government and the risk of backsliding in Peru's commitment to democracy and free market economics. Peru's OECD program provides a strong framework for the country's fight against pervasive and persistent corruption, based on improving overall public integrity. Peru's quest for OECD accession embodies the highest self-reliance goal. The emergence of new 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 new partnerships and capacity strengthening efforts.

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

Leveraging current political will, USAID will help key GOP accountability entities (procurement, comptroller, 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 and reject corrupt practices across sectors. Depending on how the current public sector momentum and strong political will to fight corruption evolves, the Mission strategy would deepen a society-based approach to influence and mobilize broader public opinion to push for government action and continued institutional reforms.

Intermediate Results: Under IR 2.1, *Government risk mitigation systems strengthened*, USAID will support the GOP to implement strategic elements of the National Integrity and

¹⁶ Peru's Comptroller General, cited in *El Comercio* newspaper, April 26, 2019

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

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 and the dissolution of the legislature, 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.

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

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

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 local 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 also support the private sector and the GOP to set standards and measure compliance in public investment and procurement to verify tangible change. 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.

Linkage to USAID Country Roadmap: In the *Commitment* dimension, DO2 will improve government transparency and increase civic participation (Open and Accountable Government: Open Government). 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 and improve integrity (Civil Society Capacity: Civil Society and Media Effectiveness).

Host country priorities: Promoting public integrity and combating corruption is the top priority for the Vizcarra Administration, has become a priority demand from the population, and is fundamental to advance Peru's goal for accession to the OECD. The Executive branch has proposed several legal and policy reform initiatives aimed at curbing public corruption that will be decided in 2020 and carried out by the newly elected Congress and those elected in 2021. These include prohibition of Congressional candidates with prior criminal sentences and strengthened internal oversight systems for combating corruption in the Judicial Branch and the Prosecutor General's Office.

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; and the National Ombudsman's Office (Defensor del Pueblo).

trend can reinforce positive conditions for government reform and continued political commitment to fight corruption and other illicit activities.

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 European Union.

USAID will also reinforce its relationships with the private sector and CSOs to advance the transformations that lead to an enhanced public integrity. 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 (AFIN), 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: RPP and La Republica; infomediaries: Ojo Publico, Convoca, La Mula; as well as women's organizations, young leaders' groups, LGBTI 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. 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 the participation of local actors as part of USAID's *Effective Partnering and Procurement Reform Initiative*. This includes 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 co-create tools with non-government actors, 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 efforts, serving as a facilitator and connector between key GOP entities and non-governmental actors for reform, adaptation and learning.

Assumptions

1. The GOP continues to exhibit strong political will in the fight against corruption and prioritizes state modernization as part of Peru's OECD program, under current and upcoming GOP administrations.
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 without censorship to increase public awareness, influence opinion makers and sustain demand for reform.
4. The Comptroller's Office continues its leadership to implement the new control law and supports preventive measures at the national and sub-national level. The Procurement Agency also has sufficient resources to supervise the procurement process and adopt online tools to limit corruption.

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 strengthens sustainable environment and natural resource management to expand economic and social benefits, supports the CDCS Goal by building the technical and administrative capacity and commitment of Peru's government, private sector, and civil society to counter conservation crimes and address the over-exploitation of Peru's vast natural resources. Unfortunately, transnational criminal organizations have expanded in Peru into the multi-billion-dollar ventures of illegal gold mining, illegal logging, and wildlife trafficking; today, proceeds from illegal mining, more than \$3 billion per year, exceed those of the cocaine trade.¹⁹ Peru's Amazon forests house extraordinarily rich

¹⁹ Peru is a 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

biodiversity of global importance,²⁰ but the Amazon is shrinking at an increasing pace each year, with 2.1 million hectares deforested since 2001. Additionally, Peru 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 environmental damage and threats to biodiversity and natural resources from natural and manmade drivers requires Peru to actively plan, finance, implement and monitor interventions. Strong central and sub-national institutions are essential to ensure that the 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.

Development Hypothesis: If (a) the Government of Peru strengthens environmental oversight 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 transparently and sustainably manage its immense natural resources, thus ultimately expanding benefits to its population and economy.

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 conservation crimes and the over-exploitation of globally significant resources in the Amazon forests and Andean watersheds. Long term, with improved environmental planning and management, Peru can reduce the influence of criminal organizations, 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

that illegal gold mining was Peru's largest source of money laundering, accounting for more than twice the amount from drug trafficking.

²⁰ 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.

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 environmental natural resource management in Peru is increasingly visible in public policy. 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 economy and society. 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.²³ Simultaneously, environmental degradation 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 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

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)

degradation and protects the rights of local populations.²⁵ Effective, sustainable environmental and natural resource management will lead to expanded benefits for society -- including goods, services, economic growth, security, health and ecological benefits. Benefits, in turn, will further incentivize the state, citizens and private sector to better protect and sustainably utilize natural resources, enabling Peru to become self-reliant in mitigating and helping to reverse the causes of environmental damage.

Intermediate Results: Under IR 3.1, *National and subnational environmental and natural resource management (ENRM) governance strengthened*, USAID will depart from past approaches to partner with a variety of GOP ministries and agencies to craft and execute a coherent forest modernization action plan that contemplates roles for all forest users and authorities -- spanning national government, private sector, sub-national, civil society and community actors -- to reduce conservation crimes, advance sustainable development, and ultimately meet environmental goals.²⁶

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 policy, 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, and Regional Governments of Loreto, Ucayali and Madre de Dios, where the majority of timber production emanates. 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

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>

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.

Under IR 3.2, *Public and private investment mobilized in environmental and natural resource management*, 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, and natural infrastructure project mobilization. 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. By working with public, private and community actors on a joint vision for development and investment, USAID will support Peruvian partners to balance smart growth and conservation through institutionalization, 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+), 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. To foster public investment in environmental and natural resource management, USAID will deepen its partnership with the Ministry of Economy and Finance to implement a performance-based budgeting system focused on achieving defined results to scale-up the national budget for environment and resource management for key ministries and agencies.

Under IR 3.3, *Citizens' influence on environmental natural resource management decision-making and accountability increased*, USAID will support targeted populations -- especially but not limited to 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

especially support women leaders and their involvement in community and municipal organizations to influence decision-making on natural resource planning and local development. USAID will partner with indigenous 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.

Linkage to USAID Country Roadmap: In the *Commitment* dimension, DO3 will build on positive policies and regulations to improve still insufficient implementation and enforcement capacity in natural resource management (Economic Policy: Biodiversity and Habitat Protection). 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.

Key GOP partners in the forest and environment sectors include the National Forest and Wildlife Service (SERFOR), the Supervision Agency for Forest and Wildlife Resources (OSINFOR), Presidency of the Council of Ministers, Ministry of Environment (MINAM), Forest Conservation National Program, Protected Areas Service, Environmental Licensing Agency, Ministry of Agriculture and Irrigation (MINAGRI), Ministry of 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 Anglo-American (mining) and Nestle, 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 ongoing Natural Infrastructure for 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. Environmental donor coordination groups also include the European Union, the United Nations (UNODC, UNEP, UNDP), the Global Environment Fund, the Embassy of Sweden/SIDA, Inter-American Development Bank, and World Bank.

USAID participates in a number of donor coordination fora including the 'Mesa Verde' (green roundtable) and forest donors sub-group, often taking a leadership role in organizing around key forest goals and coordinating key reform messages with GOP authorities with like-minded donors such as Germany (GIZ) and Norway. In this capacity, USAID coordinates forest sector interventions to identify synergies among donors. The group recently mapped all donor interventions to share with the GOP (MINAM and MINAGRI) and clarify common priorities for donor-GOP coordination.

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 building conditionality into GOP forest sector commitments with regards to legality and timber traceability, financing, investment promotion, zoning and forest lands planning, and institutional strengthening. USAID will expand the existing USG Memorandum of Understanding with Peru on Artisanal and Small-Scale Gold Mining to involve new GOP partners. New MOUs are envisioned on wildlife trafficking with the GOP and other donors. USAID will also use its convening power to leverage U.S. diplomacy, research, local and international advocacy and policy dialogue to influence reform and reinforce Peru's commitment to sound natural resource management for development.

To help Peru advance *Public Financial Management* and improve the GOP's capacity to effectively allocate and execute public resources to advance environmental priorities,

²⁸ Among the numerous indigenous federations are: AIDSEP, CONAP, ORPIO, FECORITAYB, ACONAMAC, FECONALICM, and ACICOB.

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*, 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-business; implement schemes to advance the reduction of forest deforestation and degradation (REDD+); and engage global value chains for bio businesses and 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.

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 3.2. 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.

2. *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.

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 self-reliance.

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, each providing opportunities to contribute to the Agency's Self-Reliance Learning Agenda. These themes are:

- (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.

USAID/Peru will validate and refine Learning Agenda questions during the preparation of the Performance Management Plan (PMP).

The PMP will provide the general framework for organizing USAID/Peru's efforts, and will include 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, 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.

ANNEX

A. Journey to Self-Reliance Country Roadmap - Peru



USAID
FROM THE AMERICAN PEOPLE

Annex A - Journey to Self-Reliance Country Roadmap

PERU

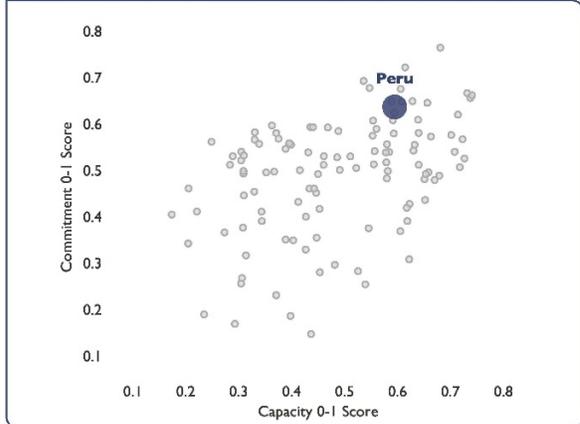
JOURNEY TO SELF-RELIANCE:
FY 2020 COUNTRY ROADMAP



LEGEND

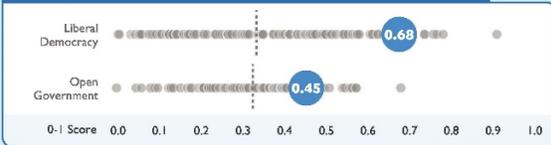


LOW- & MIDDLE-INCOME COUNTRY SNAPSHOT

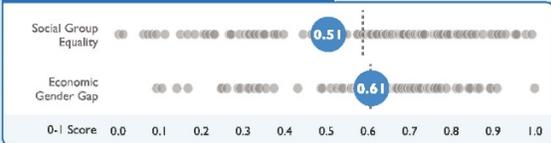


COMMITMENT

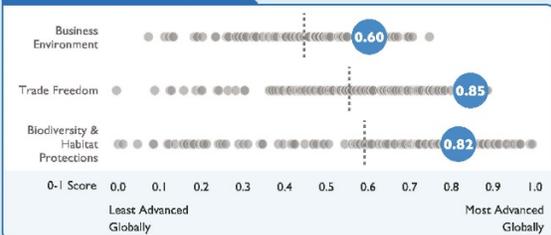
OPEN AND ACCOUNTABLE GOVERNANCE



INCLUSIVE DEVELOPMENT



ECONOMIC POLICY

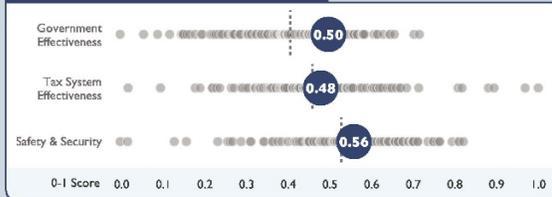


RISK OF EXTERNAL DEBT DISTRESS

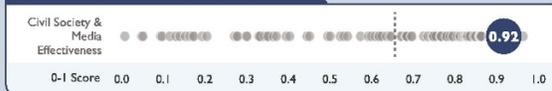
Recent IMF Risk of External Debt Distress rating not available for this country. See the Country Roadmap Methodology Guide for more information and the Secondary Metrics Compendium for additional tools to explore the issues of fiscal policy and health. Both are available at selfreliance.usaid.gov.

CAPACITY

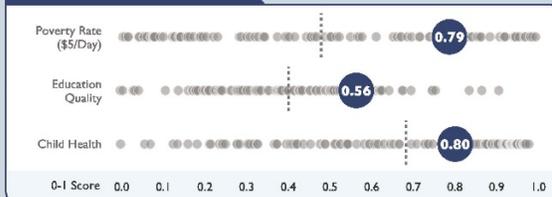
GOVERNMENT CAPACITY



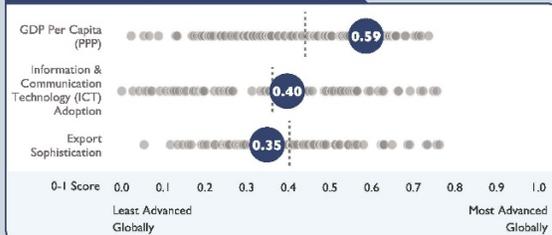
CIVIL SOCIETY CAPACITY



CITIZEN CAPACITY



CAPACITY OF THE ECONOMY





SELF-RELIANCE ROADMAPS

INDICATOR DEFINITIONS AND SOURCES

All source data are for the latest year available, typically 2018 or 2017, and are derived from third-party institutions. All indicators are weighted equally in the calculation of the overall Commitment and Capacity scores. Names and boundary representation in the map are not necessarily authoritative.

For more information on definitions and sources, please visit selfreliance.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)*.

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. Sub-factors include: publicized laws and government data, right to information, civic participation, and complaint mechanisms. 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 Environment: Assesses a country's entrepreneurial climate by measuring business' access to infrastructure (such as the internet and transport, and to credit), business flexibility (the costs of starting business and of hiring and firing), clear and fair regulations (e.g., intellectual property rights), and perceptions of meritocracy and opportunity. 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*.

Biodiversity & Habitat Protections: Measures extent of marine protected areas, terrestrial biome protection (weighted for both national and global scarcity), representativeness of protected areas, and whether protected areas cover the ranges and habitats of critical species. Source: *Yale University/Columbia University Center for International Earth Science Information Network (CIESIN)*.

RISK OF EXTERNAL DEBT DISTRESS

Rates a country's risk of public sector debt distress on a four-tier scale: "low risk", "moderate risk", "high risk", and "in debt distress". Ratings are based on countries' debt and market structures, fiscal and macroeconomic outlook, and institutional capacity to manage debt burden. Ratings help guide the borrowing decisions of lower-income countries to meet development needs while reducing the chances of excessive debt build-up. Ratings are shown for 54 lower-income countries for which the IMF prepares risk ratings and are not scored components of Commitment or Capacity. Source: *International Monetary Fund, Debt Sustainability Analysis for Low-Income Countries*.

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: Estimated ratio between a country's tax collection and the expected 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: A combination of objective measures of security, and subjective measures of personal safety, personal freedom, and social tolerance. 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*.

CITIZEN CAPACITY

Poverty Rate (\$5/Day): Measures the percent of the population living under \$5/day in purchasing power parity (PPP) terms. Source: *World Bank, PovCalNet*.

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*.