

PROPOSAL FOR A PROGRAM FOR DEVELOPMENT AND IMPACT MITIGATION IN THE URUBAMBA BASIN

A proposal to achieve sustainable development in a vulnerable social and environmental in the Peruvian Amazon



EXECUTIVE SUMMARY



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INTRODUCTION

The Urubamba River basin, located in the Amazonian districts of Echarate (Cuzco Region) and Sepahua (Ucayali Region), is an area of great wealth and natural and cultural biodiversity. In this manner, it is home to five natural areas protected by the State, a Territorial Reserve and numerous native communities from seven different indigenous peoples.

Also within the basin, various infrastructure and energy initiatives are developed, the most important of which is the Camisea project (blocks 88 and 56), whose exploitation has reduced the deficit in the balance of trade of the country's hydrocarbons in approximately US \$ 9000 million, mainly benefiting the electricity sector (56% saved) . Regarding royalties from gas, only in 2011, the Cusco region has received S/. 442 million (local currency), which makes it the region which receives the largest royalties.

However, this significant expansion in the economy has not necessarily led to an improvement in the living conditions of the populations directly affected by the project; it has, however, generated several conflict scenarios. Hence, while Cusco has become one of the regions with increased budgetary resources, the evils of narco-terrorism and poverty lie in wait.

In light of this scenario, Derecho Ambiente y Recursos Naturales, DAR, in agreement with the Regional Council of Cusco, the Machiguenga Council of the Urubamba River (COMARU), and within the Interagency Cooperation Agreement between DAR and the Cusco Regional Government, has drafted a proposed "Program for Development and Impact Mitigation in the Urubamba Basin", providing a summary in this document.

This proposal seeks the sustainable development of energy activities in the Urubamba basin, that is, through the compliance of high environmental and social standards, generating improvements in the quality of life while respecting the rights of the local populations.

To do so, an efficient State is required, in order to fulfill its expected role, namely, to show efficiency in the management, coordination, vision, planning and execution thereof; and to also include the resources needed to implement them. However, it is alarming that, despite higher royalty income, in 2012, child malnutrition in the Lower Urubamba Basin reached 75%. In many cases, the demands for basic services of the native populations are presently undertaken by oil companies established in the basin; then, what will happen to the communities once the gas activities end?

In this sense, the improvement of governance is urgently required in the Urubamba Basin; this entails improved planning processes, the creation of opportunities for transparency and coordination mechanisms between levels of government and also between them and the civil society, also necessary is the strengthening of citizen participation processes and accountability mechanisms. Furthermore, public institutions in the area should also be strengthened. For this purpose, the first objective of this proposal is to **promote governance processes for the sustainable development in the Urubamba basin.**

Moreover, given the growth of activities in the area, it is necessary to have an inter-sectorial strategy for the protection of peoples in isolation and initial contact from the Territorial Reserve Kugapakori Nahua Nanti y otros (RTKNN for its name in Spanish); an improvement comprising the health and life of these populations. It is also important to get to know the real needs of the people from native communities, in order to develop projects tailored to their needs and culture, and, thus, bringing the State closer to the rural population; making it necessary to include the indigenous organizations in the issue; along with the State, they are called upon to provide opportunities and facilities to the people they represent to improve their quality of life. They are also responsible for maintaining and respecting indigenous identity within and outside the communities.

Therefore, this proposal has a second objective, **to improve the quality of life of the indigenous peoples in the Urubamba Basin, respecting their cultural identity.**

Thirdly, a key factor for the development of the proposal is strengthening and strategies for the use of resources from royalties by the Cusco Regional Government and local governments in order for them to effectively and quickly reach the native communities of the basin; as well as support for the National University San Antonio Abad of Cusco (UNSAAC). Furthermore, it is also important to promote the sustainable socio-economic development in the Urubamba Basin through sustainable productive projects. To do so, it is necessary to **promote sustainable investments and economic activities for the use of gas in the Urubamba basin.**

On the other hand, we must not forget that there is a new boost in energy and infrastructure activities in the Urubamba basin through the expansion of the Camisea project and new energy projects and infrastructure with influence in the RTKNN as well as protected areas, the Ashaninka Communal Reserve, Machiguenga Communal Reserve, the buffer zone of the Manu National Park and the National Sanctuary Megantoni, the native communities of the Lower Urubamba (Cusco and Ucayali), the rural settlements in the basin, Kiteni and Kepashiato population centers, among others. Therefore, a strategy is needed to preserve these ecosystems in a sustainable manner. In this sense, the fourth objective of the program is to **conserve and restore ecosystems in the Urubamba Basin through effective environmental management.**

While under the framework of the Camisea project capacity building and impact mitigation activities have taken place, funded by the Inter-American Development Bank (IDB) (Loan N°. 1441/0C-PE "Institutional Strengthening and Environmental Management Support Social and Camisea Project" and 21 socio-environmental commitments of the Government of Peru with IDB), these activities ended in 2008 (Loan N°. 1441/0C-PE), leaving several unfinished issues.

In summary, the current context of the Cusco region justifies the implementation of a **Development Program** that can generate better living conditions for its population. It is also necessary to have a **Mitigation Program** if a significant increase in investments within the basin is projected; it is undeniable that new operations in the Urubamba basin mean new and greater impacts.

THE ISSUE OF THE URUBAMBA BASIN

In order to prepare this proposal, an environmental, socio-economic and governance diagnosis was prepared, based on official information.

In addition, on May 26th and 27th 2012, in Quillabamba, Cusco, DAR in coordination with COMARU, held a workshop with representatives from indigenous communities of the Upper and Lower Urubamba, where it collected the concerns of these populations regarding the impacts of hydrocarbon activities.

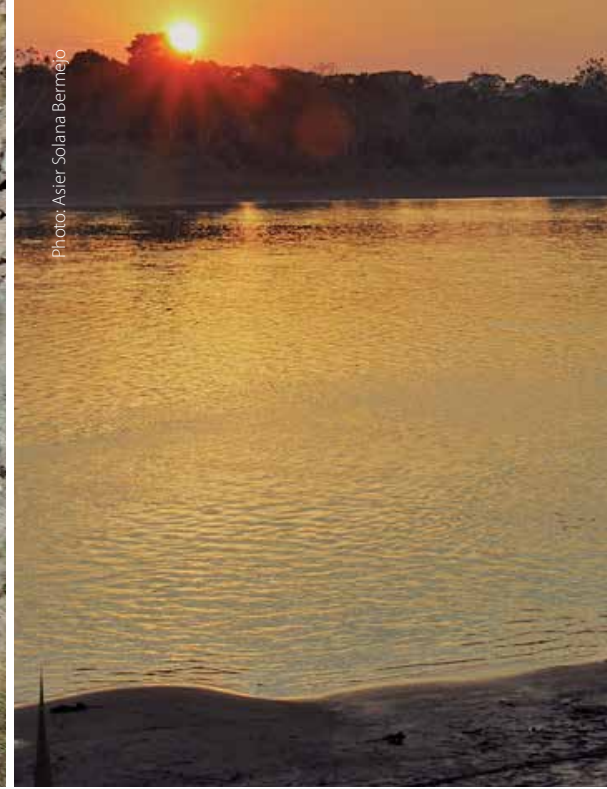
In that manner, some of the impacts - most of them indirect - of hydrocarbon activities that we have registered for the Urubamba basin are:

Social and cultural impacts

According to the Strategic Environmental Assessment Study for Hydrocarbon Development Program in the Urubamba Basin, developed within the framework of the 21 commitments, high levels of poverty and vulnerability of the population can be found in the program area, compounded by a greater and increasing migration of settlers and native peoples to the area, derived from forest concessions and hydrocarbon development prospects in the region.

Therefore, some of the Camisea project's socioeconomic impacts (upstream and downstream) are related to the expectations generated by the activity, in terms of work or increased revenues to the region by the payment of royalties. This accelerates the immigration process, bringing different implications to the area, such as:

- Conflicts over land use or adverse effects of activities on natural resources (deforestation, soil erosion and landslides)
- Degradation of natural resources, which has meant a change in diet in the communities, resulting in decreased protein content and increasing their vulnerability to disease
- Altered values and customs of the communities as a result of relationships between different cultures. In many cases, the main concern of the members of native communities is obtaining compensation money from oil companies, instead of the use that can be given for the survival as an ethnic group and the sustainability of their economies and lifestyles
- Increased alcoholism and sexually transmitted infections in native communities
- Risk of encounters with peoples in voluntary isolation and initial contact



- Increased demand for infrastructure (roads, water, sanitation, electricity) and social services (education, health) or government (procedures, records)
- Increased production activities to meet growing local demand. The area between the Urubamba River and the limits of the basin is the most dynamic socioeconomically, due to its proximity to the town of Atalaya, development pole and transit point to the city of Pucallpa, one of the main centers for timber export.
- The increase in the execution of works has generated changes in La Convención: the abandonment of traditional agricultural activities and the arrival of migrants to the area have led to an increase in local wages, as well as an increase in the prices of the food produced in the region and prices of transport and accommodation.

Moreover, other social impacts which occur directly through hydrocarbon activities are social conflicts from oil spills and for breach of agreements.

Impacts on the economy

Due to migrations, the following occur:

- Increase in illegal activities (logging, drug trafficking, hunting and fishing).
- Growth and transformation of urban centers (social service providers, commercial and government services).

Environmental Impacts

We have identified the following environmental impacts:

- Increased risk of incidents due to increased hydrocarbon activities in the area. The occurrence of contingencies demands greater attention from health services.
- The quality of the rivers has dropped from "good" to an average in the range of "regular", according to studies by the Regional Health Office (DIRESA for its name in Spanish).
- Apparent contradiction between the general perception of the public and scientific evaluation regarding the lack of fish. This may be because fish stocks are healthy but you these have to be distributed among a larger number of fishermen.
- Increased river traffic, the Community Environmental Monitoring Program (PMAC for its name in Spanish) has reported that traffic through the Urubamba River has increased from 9 events per day up to 160 events in its peak. Increased boat traffic involves large and rapid rollover risk, resulting in loss of property and, at times,



human lives¹. The intensity of the actual current river traffic is mainly due to the operations of three companies: Pluspetrol, Petrobras and Repsol, and new activities are about to start, which require river transport service. In addition, the increasing presence of boats in the municipality, merchants, communities and people.

Institutional Weaknesses

In addition to these impacts, we have identified a number of shortcomings and weaknesses regarding the problems of the basin:

Weaknesses

- Techniques for the identification, formulation and evaluation of projects for the National Public Investment System (SNIP for its name in Spanish)
- There is no concerted vision about how to use the budget
- Lack of regional energy planning
- Low quality of life of the native populations (health, education, food, etc.)
- Presence of narco-terrorism, forced displacement and militarization of the area
- Lack of development plans / life plans of the native communities
- Weak indigenous institutions: The Protection Plan has been implemented in the RTKNN weakly and is not recognized by the competent authority
- Low compliance with the 21 socio-environmental commitments agreed by the Government of Peru and the IDB
- Weak monitoring and environmental monitoring. When presented with environmental complaints, the authorities respond immediately, but they can reach the zone several days after an oil spill has occurred in rural areas
- Discrepancies between monitoring results and the testimony of affected communities.
- The technical views of the National Service for Protected Natural Areas (SERNANP for its name in Spanish) do not include specific protective measures
- Environmental studies are prepared by consulting dependent firms
- There are regulatory gaps in contamination standards for energy activities

¹ An unfortunate example is the community of Kirigeti, where the death of a girl was reported due to the capsize of her canoe by the waves caused by boats from Pluspetrol S.A. Also, in May 2011, a complaint was filed against the company Petrobras for the sinking of a boat with four passengers and all its cargo.



- Deficiencies in the preparation of the Environmental Impact Assessment (EIA), as studies are presented with data consisting of unsubstantiated baseline fieldwork; neither does it include an analysis of governance. Also, the “social aspect” is restricted to a “Baseline Study” and a “Community Relations Plan”
- Asymmetries in negotiations between companies and native communities
- There is little effective coordination between the different monitoring actions in the basin. Furthermore, there is no standard methodology for reports. The conditions of employment of the monitors also differ substantially, which has generated tensions.

Present and future projects in the Urubamba basin

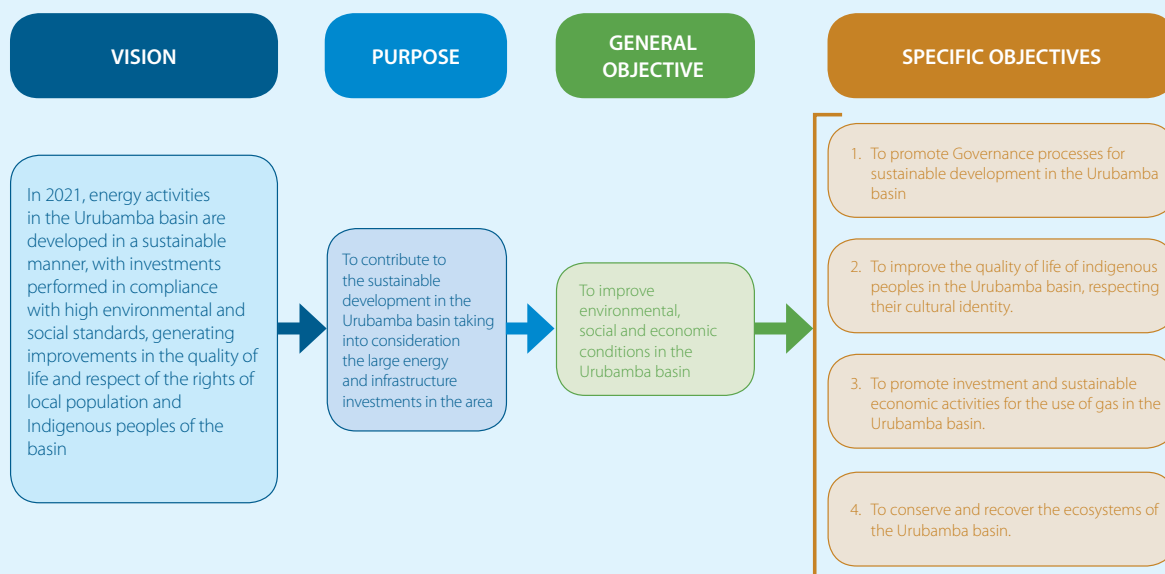
Projects that are being developed and are projected to be developed within the next few years in the Urubamba basin, and which will intensify impacts in the basin, are the following:

- Hydrocarbon activities in blocks 88, 56, 57 and 58.
- Expansion of the Program for Exploration and Development in the location of San Martin Este of Block 88.
- Expansion of the Program for Exploration and Development in Block 88 of the locations: San Martin Norte, Kimaro Este, Kimaro Oeste, Kimaro Centro, Armihuari Sur and Armihuari Norte.
- Expansion of the Program for Exploration of Block 56 – Mipaya, Saniri, Pagoreni Oeste and Pagoreni Norte.
- Third Expansion of the Transport Systems of Natural Gas and Natural Gas Liquids of Camisea.
- First Stage: South Loop Project.
- South Andean Gas pipeline.
- South Peruvian Gas pipeline.
- Quillabamba Thermoelectric Plant.
- Mainique Hydroelectric Plant.
- Plant for the Storing of Liquid Petroleum Gas (GLP) in Quillabamba.
- New Block in the Fitzcarrald area.
- Ivochote-Sepahua railway line.
- Paving of road to Echarate-Kiteni-Kimbiri-Pichari.
- Opening and paving of penetration road in the rural area of the Lower Urubamba.
- Hydroelectric plant at Illapani (Quillabamba) of 420 MW.
- Thermal Plant and Generation Plant in Kiteni.

PROGRAM PROPOSAL

1. Vision, purpose and objectives

The Program proposes the following vision, purpose and objectives:



Own elaboration.

2. Implementation Scope

The program would be applied in the Urubamba Basin, i.e., in the area within the Echarate district in Cusco and the Sepahua district in Ucayali. This area is one of the few areas of high biodiversity that still exists in the world, which is why it holds five Protected Areas.

Within the Program area, there is an estimated population of 20,000 indigenous native peoples grouped into 43 communities, all belonging to the indigenous peoples Machiguenga, Ashaninka, Yine, Yami, Nanti, Nahua and Kakinte. And also based in the Urubamba basin, is the Camisea project, which supplies 84% of the total demand for gas in the country.

3. Program Beneficiaries

- Cusco Regional Government, Cusco Regional Council and Regional Offices
- Communities and indigenous peoples of the Urubamba basin
- Government Regional Offices: Regional Office for Energy and Mines (DREM Cusco), Regional Health Office (DIRESA Cusco) and other prioritized offices
- Kugapakori, Nahua, Nanti y otros Territorial Reserve
- District Municipality of Echarate
- Provincial Municipality of La Convencion
- Organism for Environmental Evaluation and Control
- Management Committees for Protected Areas in the scope of the Urubamba basin
- Cusco Civil Society
- Committees and Working groups: Cusco Regional Environmental Commission (CAR) Cusco, Regional GTCI, Hydrocarbons and Energy Commission of Cusco, among others.
- Private companies

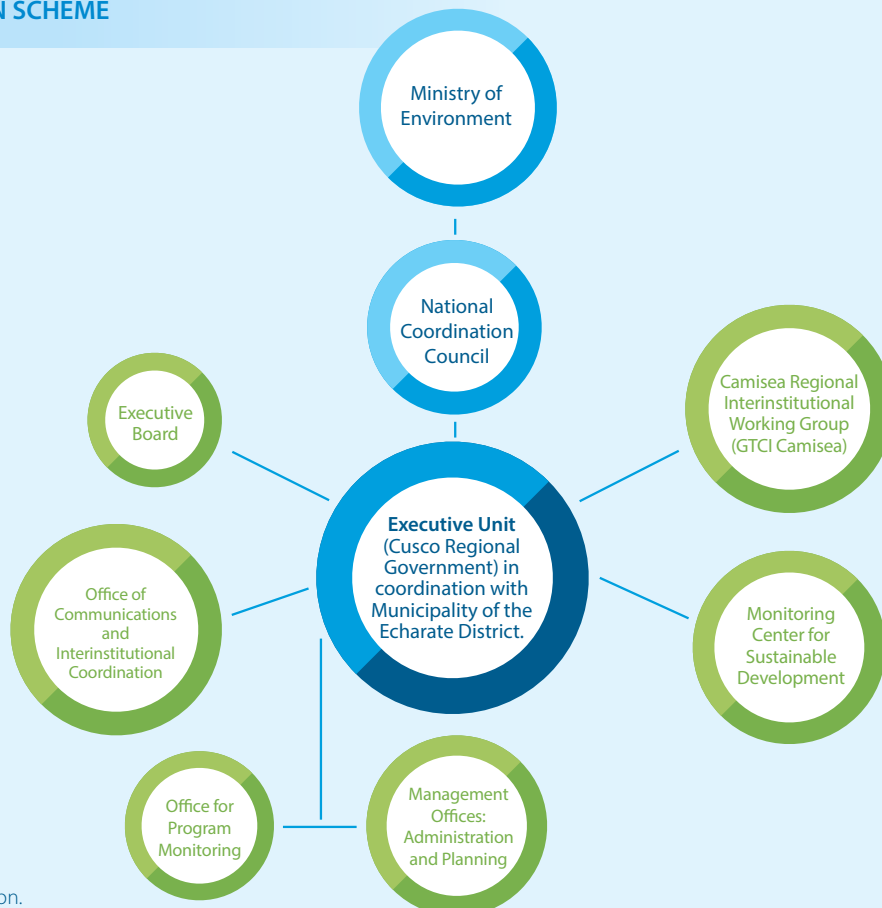
4. Program Governance Structure

Key factors to consider for the governance of this program are the following principles: building of management capacities, coordination, planning, transparency, participation and accountability.

Furthermore, this proposal gathers lessons learned from other programs such as the Program for Environmental and Social Management of Indirect Impacts for Interoceanic Highway South Corridor (INRENA-CAF Program) and the second phase of this program, called MINAM-CAF, as well as the structure of government loan N°. 1441/0C-PE between the Government of Peru and the IDB.

In that sense, the structure rescues the need for the Regional Government of Cusco to fulfill a strategic role in political leadership and decision-making of the program, and to strengthen coordination at national, regional and local levels, as well as strengthen citizen participation, while proposing a monitoring system for program monitoring.

EXECUTION SCHEME



Own elaboration.



The Ministry of Environment (MINAM)

The MINAM is proposed as the national body to lead the implementation of this program. The MINAM is the institution which develops, directs, supervises and runs the National Environmental Policy. It is a major stakeholder, because it requires improvements in regulation to facilitate the implementation of the program. The MINAM also chairs the Camisea Regional Multisectorial Working Group Camisea , created by Ministerial Resolution No. 267-2009 - MINAM, which has the function to promote the strengthening of environmental management capacities of regional and local governments, located in the area of influence of Camisea.

Its functions within the Program's framework are:

- To properly coordinate the distribution of the budget allocated to the Program
- To promote improvements in environmental regulation that facilitate the implementation of the National Coordinating Council

The National Coordination Council

We propose the creation of a National Coordination Council, which will integrate the relevant institutions in the basin at the national, regional and local levels and will function as a forum for coordination between different levels of government.

Its functions within the Program's framework are:

- To offer proposals and recommendations for the integration of actions in the basin
- To exchange of information on its activities, seeking synergies between its different regulatory projects and its business plan, among others
- To serve as a forum for linking and consultation between public institutions, civil society organizations and people of the Urubamba basin

Members: Cusco Regional Government, Ministry of Environment, Provincial Municipality of La Convencion, Echarate District Municipality , Ministry of Energy and Mines, Ombudsman's Office, Ministry of Economy and Finances, Ministry of Interior, Ministry of Development and Social Inclusion, Ministry of Culture, Ministry of Health, Ministry of Education, Members of the Academia, the Private Sector, a representative of the Cusco Regional Council's Hydrocarbon Commission, NGOs and indigenous organizations.



The Executive Unit

We propose the creation of a program executive unit that will be located physically in the Cusco region and will be overseen by the Regional Government of Cusco in coordination with Municipality of the Echarate District, which will decide the mechanism for implementation, which could include the creation of a special project for this project.

Its functions within the Program would be:

- To coordinate and implement program investments
- To develop program management tools
- To perform contracts, agreements, and tenders according to program requirements

The Executive Board

We also propose the creation of an Executive Board, which would be composed of the Regional Government of Cusco (Director) and MINAM (Technical Secretariat) with the main function of ensuring compliance with agreements from the Loan Contract, Annual Operative Plans (OAPs) and the policies, directives, internal regulations and procedures.

The Regional Interinstitutional Working Group (Regional GTCI)

The Regional GTCI² would be the coordinating body at the regional level, to be used as a forum for discussion and consultation among regional institutions, the private sector and the civil society.

Its functions within the Program would be:

- To facilitate coordination and dialogue between different regional stakeholders
- To provide information transparently and directly to the stakeholders
- To review documents approved by the Executive Board to improve program performance. Its opinions and

2 Por parte del Gobierno Regional de Cusco, se creó el Grupo Técnico de Coordinación Interinstitucional. En vista de la existencia de este Grupo, es importante aprovechar esta instancia y mas bien fortalecerla.



Photo: Asier Solana Bermejo

- recommendations would be binding; to monitor the sustainable development of the Urubamba basin
- To coordinate and disseminate information from existing monitoring in the basin to stakeholders and through the Program's website

The regional GTCI has participation from several public and private institutions: the Management for Natural Resources and Environment from the Regional Government of Cusco, the Cusco Regional Health Office, The Regional Office for Energy and Mines; the Cusco Regional Transport Office, the Echarate District Municipality, the Provincial Municipality of La Convencion, OEFA Cusco, the National University San Antonio Abad (UNSAAC), the Counselor for the Regional President of the Environmental Council, the Counselor representative of the province of La Convencion, and the Civil Defense Institute. Moreover, we would invite SERNANP/ directors of Protected Areas, the Local Water Administration (ALA Cusco), the Regional Culture Office of Cusco, the Supervising Body for Investment in Energy and Mines (OSINERGMIN), Indigenous Organizations, one representative from the private sector and one representative from the NGOs.

The Center for Monitoring of Sustainable Development

We also propose the creation of a Center for the Monitoring of Sustainable Development which would be in charge of conducting the monitoring for the sustainable development of the basin. It would be based on the goals, methodologies and indicators of the United Nations' Millennium Development Goals (MDGs), and, subsequently, through a participatory process, be adapted and improved according to the needs of the Program and the region.

One aspect that is mentioned in the MDGs is tangentially related to indigenous cultural aspects. Thus, the pilot program will be used to develop a conceptual framework and indicators for assessing the positive and negative impacts of socio-economic developments in the on indigenous peoples in the Amazon.

Another issue that needs to be incorporated into the monitoring actions refers to governance. A premise of this program is the need to develop governance at different levels, and, therefore, monitoring of this component will build on the features and principles of governance. In this regard, we propose the creation of governance indicators.

Hence, the creation of a Monitoring Center for Sustainable Development of the Urubamba Basin is necessary. This will be formed by the Social Development Division of the Regional Government of Cusco, Municipality of the Echarate District, the Ministry of Development and Social Inclusion, the Presidency of the Council of Ministers (PCM), the Management Committee of the Lower Urubamba (CGBU), and UNSACC, among others.

Other offices

Additionally, there will be offices for administration, planning, monitoring of Program activities and the compliance with objectives, as well as communications and interinstitutional coordination.

5. Program components and projects

The present proposal aims at achieving the sustainable development of the basin of the Urubamba River, taking into account that there are several investment projects in the basin which can impact the area both environmentally and socially.

In this manner, while facing this issue, we have identified the following components and/or key projects of each of the specific objectives to be developed as Program activities:

OBJECTIVE 1: TO PROMOTE GOVERNANCE PROCESSES FOR THE SUSTAINABLE DEVELOPMENT OF THE URUBAMBA BASIN		
Component 1.1 Planning and previous diagnosis for the Urubamba Basin	Project 1.1.1 Preparation of mechanisms and planning tools (Baseline and Strategic Environmental Assessment - SEA)	<ul style="list-style-type: none"> a) Preparation of the socio-economic, environmental and institutional baseline of the basin b) Updating and implementation of the SEA for Urubamba basin
	Project 1.1.2 Territorial Planning of the Urubamba Basin	<ul style="list-style-type: none"> a) Ecological Economic Zoning at micro levels b) Territorial Planning for the Urubamba Basin
	Project 1.1.3 Improvement of control mechanisms for access to the Urubamba basin	<ul style="list-style-type: none"> a) Preparation and implementation of a Plan for Control of Access to the Lower Urubamba
	Project 1.1.4 Promotion of the use of better energy and infrastructure practices in the Urubamba basin	<ul style="list-style-type: none"> a) Preparation and implementation of a study which gathers better practices in hydrocarbon activities
Component 1.2 Strengthening of transparency, accountability and citizen participation for the development of activities in the Urubamba Basin	Project 1.2.1 Improvement of Accountability Processes for good governance	<ul style="list-style-type: none"> a) Annual external audit b) Semi-annual public meetings c) Support mechanisms for initiatives to improve accountability in the framework of the Government of Peru's Action Plan – Alliance for an Open Government
	Project 1.2.2 Support for the improvement of transparency of activities in the Urubamba Basin	<ul style="list-style-type: none"> a) Training program for journalists b) Strengthening of SINIA, SIAR and the body in charge of transparency for the Regional Government with information generated by the Program c) Support mechanism for initiatives to improve transparency within the framework of the Government of Peru's Action Plan – Alliance for an Open Government and EITI
	Project 1.2.3 Support for the improvement of citizen participation for governance	<ul style="list-style-type: none"> a) Capacity building for the regional civil society to participate in the development of the Program b) Capacity building for native communities for processes of citizen participation and consult of investments in the basin

OBJECTIVE 1: TO PROMOTE GOVERNANCE PROCESSES FOR THE SUSTAINABLE DEVELOPMENT OF THE URUBAMBA BASIN

Component 1.3 Support for the improvement of management capacities and interinstitutional coordination in the Urubamba Basin	Project 1.3.1 Strengthening of Interinstitutional coordination systems	a) Strengthening of the Regional GTCI in coordination with Municipality of the Echarate District.
	Project 1.3.2 Support to improve management capacities in the Urubamba Basin	a) Training courses for the Regional Government and Municipality of the Echarate District on public policies and Government. b) Improvement of infrastructure for Managements and Key Offices of the Regional Government.

OBJECTIVE 2: TO IMPROVE THE QUALITY OF LIFE OF THE INDIGENOUS PEOPLES IN THE URUBAMBA BASIN, RESPECTING THEIR CULTURAL IDENTITY

Component 2.1 Protection and respect of the rights of peoples in voluntary isolation and initial contact in the RTKNN	Project 2.1.1 Comprehensive protection of the Kugapakori Nahua Nanti y Otros Territorial Reserve	a) Strengthening of management tools for the Territorial Reserve. b) Implementation and operation of checkpoints on the Territorial Reserve c) Development of anthropological study in the Territorial Reserve d) Proposal for a regulatory framework to improve the protection of the Reserve; e) Training in protection of the Territorial Reserve f) Campaign to raise awareness of peoples in isolation and in initial contact g) Vaccination of the native communities surrounding the Territorial Reserve h) Satellite surveillance of the Territorial Reserve
	Project 2.2.1 Bilingual Intercultural Education for native communities in the Urubamba basin	a) Training and strengthening of teachers in Intercultural Bilingual Education b) Appropriateness of the curriculum to the local context and indigenous c) Support in the preparation of bilingual educational materials in accordance to the local context. d) Monitoring the compliance of the service of IBDV in the educational work of the teacher e) Follow-up to the school performance
Component 2.2 Improvement in the health and education of indigenous populations	Project 2.2.2 Health Program with intercultural approach for the native communities in the Urubamba basin	a) Support the implementation of the National Strategy for Indigenous Health in the basin b) Equipment and maintenance of health facilities in the community c) Implementation of Health Promotion in schools d) Development of training programs in Western medicine from an intercultural medicine approach for traditional agents e) Development of training programs for health personnel with an intercultural approach f) Training of health personnel in nutrition based on the use or consumption of local resources g) Creation and Implementation of a Monitoring System for Nutrition in the Urubamba basin
	Project 2.2.3 Strengthening of the indigenous cultural identity in the Urubamba Basin: Program for recovery and conservation of cultural manifestation with participation from indigenous organizations	a) Development of linguistic and ethnic map b) Program to recover customs and traditional knowledge c) Development of natural resources map d) Monitoring and /or follow-up of cultural changes since the beginning of hydrocarbon projects
	Project 2.2.4 Implementation of basic quality services in the Urubamba Basin	a) Development of water harvesting systems for drinking and sanitation, respecting environmental and social standards. b) Implementation of electrification systems, respecting environmental and social standards.

OBJECTIVE 2: TO IMPROVE THE QUALITY OF LIFE OF THE INDIGENOUS PEOPLES IN THE URUBAMBA BASIN, RESPECTING THEIR CULTURAL IDENTITY

Component 2.3 Support for the improvement of negotiation processes between native communities and private companies	Project 2.3.1 Strengthening of negotiation capacities for native communities	a) Preparation of negotiation manuals b) Training courses
	Project 2.3.2 Monitoring in negotiation processes between native communities and private companies	a) Creation of a specialized area in negotiation processes in the Ombudsman's Office b) Establishment of a committee to monitor the negotiation processes c) Creation of registry records of agreements between companies and communities d) Implementation of an information system on negotiation processes

OBJECTIVE 3: TO PROMOTE SUSTAINABLE INVESTMENTS AND ECONOMIC ACTIVITIES FOR THE USE OF GAS IN THE URUBAMBA BASIN

Component 3.1 Promote the Regional Energy Development and the Use of Royalties	Project 3.1.1 Strengthening of tools for the Energy Development of the Cusco Region	a) Implementation of a training plan to the public servants on energy planning b) Development and implementation of the Regional Energy Plan c) Preparation and implementation of a Strategic Environmental Assessment of the Regional Energy Plan d) Development of portfolio of energy projects e) Promotion of Energy Efficiency and productive uses f) Development of a study of the macro regional vision, use, and the massification of the use of the Camisea gas by the southern macro region
	Project 3.1.2 Mechanisms which will facilitate the use of royalties in a sustainable manner in the Urubamba basin	a) Training for design and management of development projects to the Regional Government of Cusco, Echarate District Municipality, UNSAAC and native communities in the basin b) Equipment of Management Office Community of the Lower Urubamba in the District Municipality of Echarate c) Development of Life/Development Plans for all native communities in the Urubamba Basin, in coordination with indigenous organizations d) IDB technical assistance and specialized entities to develop projects e) Diploma in Management Development directed to the Regional Government of Cusco, local government of Echarate and other stakeholders
Component 3.2 Promote the sustainable socio-economic development of the Urubamba Basin	Project 3.2.1 Implementation of participatory Sustainable Productive Projects (Tourism, REDD Projects, Forest Concessions, aquaculture, agroforestry, among others)	a) Preparation of feasibility studies for the development of tourism, handicraft, aquaculture, agroforestry, among others b) Development of market research for agriculture, livestock, forestry, aquaculture in the basin in coordination with indigenous organizations c) Design projects based on previous studies (products, destinations and crafts) in the territories of the native communities of the basin, with an intercultural, social responsibility and protection of knowledge, expertise and existing biodiversity d) Implementation of projects selected, based on previous studies (products, destinations and crafts) in the territories of the native communities of the basin, with an intercultural, social responsibility and protection of knowledge, expertise and existing biodiversity e) Development of Ecotourism Management Plan with the participation of indigenous communities

OBJECTIVE 4: CONSERVE AND RECOVER THE ECOSYSTEMS OF THE URUBAMBA BASIN

<p>Component 4.1 Conservation of Ecosystems in the Urubamba Basin</p>	<p>Project 4.1.1 Recovery and maintenance of aquatic habitats and hydrobiological resources</p>	<ul style="list-style-type: none"> a) Development of risk studies for aquatic habitats and aquatic resources from the energy and infrastructure projects planned for the Urubamba basin b) Development and implementation of program management of solid waste and effluents in the Upper Urubamba River c) Development and implementation of the recovery program and management of fisheries in the Urubamba Basin for consumption and marketing communities d) Capacity Building for Management and Monitoring (Institute of Water Management and Environment (IMA), Regional Fisheries Management of Cusco, ALA, DIGESA). e) Training for municipalities in management of solid waste and urban effluents f) Development and implementation of a Program for the re-vegetation of riverbanks g) Development and implementation of an environmental education program on issues of management of waste and domestic effluents, water sanitation, among others
	<p>Project 4.1.2 Program for the insurance of the integrity of forests in the Urubamba basin</p>	<ul style="list-style-type: none"> a) Monitoring land use changes b) Development of research risks to the forests of the energy and infrastructure projects planned for the Urubamba basin c) Development of deforestation trends research and identification of hotspots of deforestation and forest degradation d) Development and implementation of watershed plan to avoid deforestation and forest degradation e) Development and implementation of program to prevent deforestation and forest degradation in protected areas (ANP and RTKNN) f) Development and implementation of program to stabilize land use change on native communities g) Development and implementation of program to reduce deforestation and degradation in forest concessions h) Development and implementation of program to reduce pressure from land use change from forest to non-classified areas i) Development and implementation of a program for wildlife recovery in the Urubamba basin j) Development and implementation of an environmental education program in topics such as forest conservation, climate change and wildlife
	<p>Project 4.1.3 Management and Conservation of Protected Areas in the Urubamba Basin</p>	<ul style="list-style-type: none"> a) Update of the Master Plans and others of the Otishi National Park and the Megantoni National Sanctuary b) Design and Implementation of Management contracts c) Strengthening the capacity of control and surveillance of protected areas d) Study of valuation of ecosystem services e) Institutional strengthening

OBJECTIVE 4: CONSERVE AND RECOVER THE ECOSYSTEMS OF THE URUBAMBA BASIN

	Project 4.1.4 Preparation of regulatory proposals for the improvement of environmental governance	<ul style="list-style-type: none"> a) Development of guidelines and policies for the use and destination of the money from fines for environmental infractions b) Formulation of Proposed rules to provide direct income for the conservation of protected areas from oil activities c) Formulation of policy proposals to improve the National Environmental Impact Assessment (adaptation to the System) and the National Assessment and Environmental Control (new scale of fines). d) Development of Environmental Quality Standard and Maximum Permissible Limits (MPL) pending in the energy sector
Component 4.2 Strengthening of Socio-Environmental Monitoring	Project 4.2.1 Strengthening of supervision and participatory vigilance mechanisms of Hydrocarbon Activities in the basin	<ul style="list-style-type: none"> a) Development of Diagnosis of current participatory monitoring developed in the basin b) Training of indigenous and native communities in the manner of environmental complaints and complaints to the Ombudsman's Office c) Development of a methodology for information gathering and filling of common reports for monitoring in the basin d) Capacity building in socio-environmental monitoring monitors, according to the new methodology to be used e) Strengthening supervision and monitoring processes of environmental and social components of the Project f) Equipment control units responsible (OEFA, DIRESA), especially for emergencies g) Creation of an OEFA office in the lower Urubamba. h) Coordination of dissemination of information and monitoring of the basin i) Implementation of an emergency alert network related hydrocarbons
	Project 4.2.2 Implementation of a Monitoring System for Sustainable Development	<ul style="list-style-type: none"> a) The development of indicators for the measurement of components of sustainable development, such as the MDGS, Human Development Indices (HDI), among others b) Proposal and creation of a monitoring system for Sustainable Development for Urubamba Basin c) Capacity building for collection of information

6. Temporality

This program proposes an 8-year period (at the end of which the success of the Program can be analyzed as well as the fulfillment of the objectives, and time may be extended), for the following reasons:

- Sustainability of activities planned, as it is necessary to strengthen capabilities and technical and legal tools and before implementing the proposals of the Program
- The number of years that will involve the construction and operation of investments in the Basin
- Search for the sustainability of activities and achievements given the political changes at national, regional and local levels

For this it is necessary intergovernmental coordination to prioritize objectives and outcomes per year depending on the urgency.



7. Budget

Given the broad scope of investments to be made in the Urubamba Basin and the need for development there, the proposed program may not be made subject to a single financial institution, but has to be backed by the coordination of several institutions at the national and international levels, with an efficient mechanism for coordination and articulation between them.

It needs the support of an International Financial Institution (IFI), in the first place, because, while we have been able to verify that the problem of the Urubamba River basin is not due to the lack of economic resources, it is also obvious also that, to date, regional and local governments are not in the ability to use its resources. It is, therefore, necessary to have an IFI contribution in the strengthening of the capacities of the officials, as well as in the instruments which are necessary for the sustainability of the Program.

Moreover, the role of the Regional Government of Cusco and the Local Government of Echarate is very important for the functions in the area and the use of income from royalties of the Camisea gas project. Therefore, the structure of the Program will have a coordinating body that will facilitate communication and agreement between all the funding agencies.

It should be noted that it is necessary that, for at least the first two years, the IFIS are to assume a leading role in the financing for the generation of instruments, capacity building and governance, working jointly with support from royalties of the Regional Government of Cusco and the Municipality of the Echarate District, specially for health and education. In the following years, financial support would proceed mainly from the local and regional governments; technical support from the IFIs will be needed until the end of the Program.



We present the following funding sources as options to include in the necessary budget for the development of the Program:

ENTITY	SOURCE
International Financial Institutions (IFI), such as the IDB	Technical Cooperation with Non Reimbursable Funding ³
National Government: Ministry of the Environment (MINAM).	Special budget for the Program, coordinating its adequate distribution
Regional Government of Cusco	Gas royalties received by the region are a determining factor to achieve regional and local sustainable development
Local Governments (District Municipality of Echarate)	Funds from royalties, with 30% for the Lower Urubamba communities
National University San Antonio Abad del Cusco (UNSAAC).	Income from royalties must be used in research that has the purpose of obtaining the sustainable development of the Basin

We propose to put aside at least 10% of funding from the group of energy investments to be developed in the area during the Program. This would be done according to a review of experiences in development and mitigation programs in other countries such as Colombia and Brazil. According to information provided by Perupetro S.A., investments in hydrocarbon exploration and exploitation, between 2012 and 2016, are estimated at US\$ 1.732 mm only in the Lower Urubamba⁴.

In this regard, 10% of the investment between 2012 and 2016 would be around US\$ 173,200,000 million. It is also important to point out that the amount of the proposal will have to be determined with the authorities to adopt this program.

³ <http://www.iadb.org/es/acerca-del-bid/financiamiento-del-bid/cooperacion-tecnica-6042.html>

⁴ Presentation of Hydrocarbon Activities in the Lower Urubamba Region. July 2012. PERUPETRO S.A.



IN CONCLUSION

- The Program for Development and Impact Mitigation in the Urubamba River Basin will improve the conditions of governance in the Urubamba Basin and achieve more efficient relations between local authorities, regional, national, indigenous organizations, the private sector and the civil society. It should be taken into consideration that, although the Echarate district receives greater resources from royalties than other districts, it still has high rates of poverty, malnutrition, and the presence of narco-terrorism.
- The Program must be led by the Regional Government of Cusco, which should promote it in coordination with the national government through its various ministries and public entities: the local governments of the basin, local public entities, the public-private partnerships, the private sector (companies), indigenous organizations of the area, the civil society and academia.
- The success of this program lies in that the planning of the design is a process with projects defined from a regional vision, participatory and decentralized, that respond to the satisfaction of local needs.
- We must remember that the Camisea project has had a duration of 40 years, and that within the 21 Commitments of the Peruvian State with the IDB, commitment 6 notes: “to promote and actively participate in a permanent system of strategic environmental planning for the region of the Lower Urubamba, in order to achieve environmental and social sustainability, especially as related with future projects. This system will be multidisciplinary, integrate all sectors with an interest in the project, and will be coordinated with the regional and local authorities”; therefore, the Program would be submitted to provide continuity and improve planning and development generation in the most important energy area of the country.
- In view that a new impetus has been generated for hydrocarbon exploration and exploitation activities in the Urubamba Basin to meet the national demand of energy, it is necessary to implement a program for Development and Mitigation of Impacts, because it is undeniable that the new operations in the Urubamba will mean new and greater impacts in the area. While each project must have an Environmental Impact Assessment (EIA), the discussion revolves around whether the sum of these projects within the basin is taking into account the greater pressure on resources.
- The significant lessons learned and the remaining tasks of the Camisea project can help achieve true sustainable development of the Urubamba River basin, if these are integrated into the design of a **Program for Development and Impact Mitigation in the Urubamba River Basin**.
- Finally, there is a need for political commitment from national, regional and local governments, as well as from IFIs to carry out this program, with an adequate budget and politically guaranteed; with respect to the asymmetries and inequalities that exist in the region, in partnership with all the strategic partners.

In this regard, we believe that only through the creation and implementation of an urgent Program for Development and Impact Mitigation in the Urubamba River basin will the quality of life of indigenous people improve and the biodiversity and protected areas existing in the basin will be maintained in a coordinated and sustainable manner; taking into consideration the progress of energy activities and the proposed investments in infrastructure in the area. In addition, this socio-environmental and economic strategy will improve the presence of the State in the basin, succeeding in preventing socio-environmental conflicts.

Therefore, the presented proposal aims to be a key part to ensure the strengthening of governance in the area, becoming an example for the rest of the country. This is an opportunity for dialogue, where this area can be used as an example to raise social and environmental standards, which should not be missed.