



# The Green Economy Barometer 2018 Peru

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[www.greeneconomycoalition.org](http://www.greeneconomycoalition.org)

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# Peru

## Green Economy Barometer 2018

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### About the organisations

This report has been produced by **Foro Nacional & Internacional (FNI)** and **Libelula**, both members of the Green Economy Coalition.

**FNI** is a research centre founded in 1992 which aims to promote sustainable development policies and democratic governance. It operates as a think-link-act organization, not only producing research and policy ideas like a think-tank, but also promoting operative networks and consultations with public and private institutions to promote policies and enact them accordingly.

**Libelula** is the first Peruvian consulting company to offer comprehensive services to incorporate climate change and sustainability into the core values of companies and institutions. Founded in 2007, the organisation works with private, public and civil society organisations to design new policies and practices for confronting the sustainability challenge.

Together, they lead the Green Economy Coalition Peru hub, an ongoing initiative to accelerate a national transition to a green economy. For more information, please see our respective websites.

The **Green Economy Coalition (GEC)** is the world's largest civil society movement for green and fair economies. Our 50+ members represent poor people, workers, environmental organisations, faith groups and small businesses as well as international institutions. Together, we are inspiring a movement for change from the ground. [www.greeneconomycoalition.org](http://www.greeneconomycoalition.org)

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Photo: Jurek Vilik / Flickr

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# Executive Summary

## 5 out of 10 for Peru's transition to a green economy

The **Peru Green Economy Barometer 2018** provides a snapshot of the transition to a fair, green economy. It is drawn from evidence of policy progress as well as the insights of civil society organisations who are tracking the transition on the ground. One thing is clear: Peru's brown economic model is struggling.

Peru is at this moment a classic example of a glass half empty or half full: optimism and pessimism happening at the same time. Several initiatives, case studies and best practices showing that the private sector, civil society and government programs are working to build a functioning green economy. Most of these examples are happening without even mentioning their contribution to a green economy.

This barometer wants to describe an optimistic scenario even when we realize that the scale and fragmentation of such initiatives will not conform a critical mass to accelerate a transition to a green economy. But they will in the next five years. This barometer wants to build a case that these initiatives are the seeds of a more inclusive, green and outperforming economy. Peru's brown economic model is struggling and the Green Economy Coalition wants to show that there is an alternative building up.

### Greening economic sectors

Peru's economy depends on natural resources: fisheries, mining and agroindustry are its motors. A closer look shows that there is a group of companies innovating and becoming more sustainable, acquiring green technologies and improving their production chains. Nevertheless, change will only happen if two transversal initiatives become widely adopted: green logistics and renewable energy.

Peru has a difficult geography and logistics are a significant cost for businesses. The government has taken the first steps to promote electric vehicles and disincentivize the most polluting vehicles by

changing its excise tax structure. Today, they are targeting vehicle consumers in cities, but the revolution will accelerate when business adopt electric vehicles for logistics.

There is a similar case with renewable energy. Peru has a good record because most energy already comes from hydroelectrical plants and a growing share from natural gas, and average energy costs are lower than other countries in the region. Yet the rate of adoption of solar and wind energy is important, even that today they represent less than three percent of total energy generation. A couple of government initiatives are contributing to change this.

“Peru's brown economic model is struggling - but there is an alternative starting to develop.”



Photo credit: Igor Ovsyannykov / Unsplash

“Traditional knowledge is emerging as a powerful asset of the Peruvian economy and several products are emerging in profitable niche markets.”

### Valuing nature

Mining companies provide a big share of government resources through taxes, thus when choosing between preserving a natural site or extracting minerals, the latter usually wins. Civil society and public opinion moved quickly when the Rainbow Mountain had this dilemma. Without hesitation, the company that wanted to extract copper near this site surrendered its rights. Perhaps a small victory, yet it is an example of choosing ecosystem services and touristic potential over mere resource exploitation.

The images of Peru's natural resource wealth are ubiquitous. So vast that Peruvians may overlook them, particularly when they are literally in front of them. How long does it take to realize that a beautiful island in front of the capital is a potential touristic site? In a green economy, government decision-making must incorporate natural capital.

### Green must be fair

Everyone should benefit from a green economy. Traditional knowledge is emerging as a powerful asset of the Peruvian economy, and several products are emerging in profitable niche markets. Our article describes a case where a small indigenous community creates a case to protect their graphic designs and a company listens and agrees. A happy ending would be that both team up to gain overseas markets, but this has not happened yet.

### Shifting financial flows

Peru has advanced at making available new financial sources and instruments for green economy projects, yet only a few actors are taking the challenge of scaling up investment. Two initiatives are signaling that bigger is better when fragmentation and dispersion are the norm.

On the one hand, a group of small districts join forces in a *mancomunidad* to deal with common challenges; and on the other hand, a multilateral development bank and a government program provide lots of small scale grants to several communities dealing with a common environmental challenge. Conceptually, both initiatives are doing the same by giving incentives to partnerships aiming at scaling up investment.

### Measuring and governing

By promulgating the Framework Law on Climate Change, Peru creates a road map to coordinate the efforts of public and private actors. This is a first step and consultations to design the Law's regulation will test the negotiation skills of the Minister of the Environment. The real impact is yet to see, although it will facilitate to implement Peru's NDC.

For the transition to take off, at scale and at speed, there are three key action areas:

1. Disseminate information and promote among private sector investors the set of financial instruments available to fund green economy projects. There is opportunity among innovation grants, fintech, green bonds, and tax breaks to R&D initiatives, among others, yet adoption is still limited.
2. Promote transversal actions and initiatives that could benefit several economic sectors. If green logistics through electrical vehicles or the adoption of non-conventional energy sources take off, the impact in the whole economy will be profound.
3. Promoting inclusion beyond social policies will accelerate the transition towards a green economy by giving means to vulnerable populations to benefit from markets, financial instruments and incentives. There are few but important examples when indigenous communities improve after accessing to markets to promote their products and knowledge: these are valuable assets in a green economy.

“Promoting inclusion will accelerate the transition towards a green economy by giving vulnerable populations access to markets.”

# Valuing nature



the Mountain of Seven Colors in Spanish. The public opinion instantly opposed, and a few days later the mining company officially surrendered its rights.

The NGO CooperAcción was the first to report about the concession granted by the Geological, Mining, and Metallurgical Institute (INGEMMET) in favor of Minquest Peru. Nevertheless, the area overlapped with the Ausangate Regional Conservation Area, and surrounding areas are considered areas for conservation and extensive livestock production, as indicated in the Regional Territorial Management Plan.

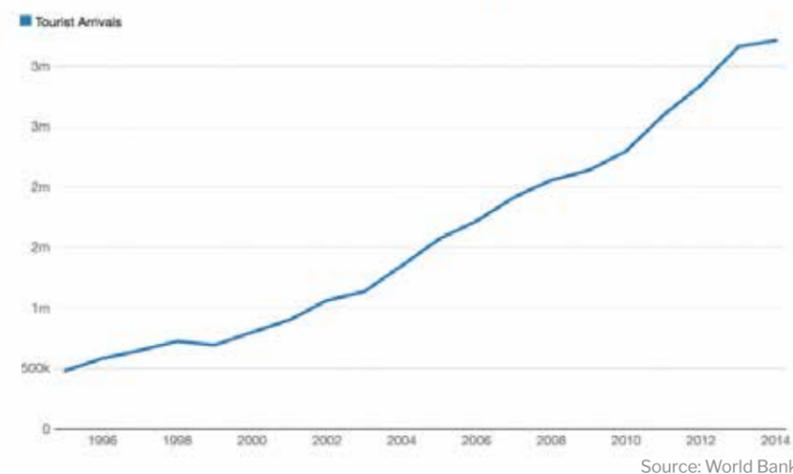
## Case study: Cusco Mining Company surrenders mineral rights around the Rainbow Mountain

There are methodologies to decide whether a touristic spot could yield higher monetary benefits than a mining project. Yet, financial models fail to include other criteria such as a negative public opinion to investment around cultural heritage, religious sites, and certain ecosystems.

It may have looked as a good prospect in a spreadsheet. The company Minquest Peru was granted a metallic mining concession on March 16th, 2018. Part of area of these rights included the Rainbow Mountain (Vinicunca), near the Vilcanota Cordillera, also known as

““ The National Chamber of Tourism (Canatur) considers the Rainbow Mountain as an exceptional attraction and a critical area to access to other sites.

Figure 3: Growth in tourism to Peru, 1990 - 2014



Source: World Bank

““ Deciding whether promoting mining or tourism is better for local development may be controversial.

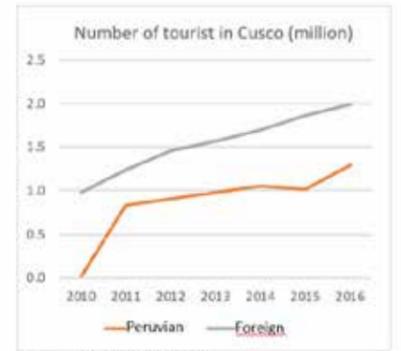
The Canadian firm Camino Minerals, owner of Minquest Peru, sent a letter to the Regional Government of Cusco expressing its commitment to preserve the cultural heritage and touristic areas such as the Ausangate and Cusco. The company declared it will also contribute to integrate both cultural and tourist development of the surrounding areas.

The National Chamber of Tourism (Canatur) considers the Rainbow Mountain as an exceptional attraction and a critical area to access to other sites. The coloration of the mountain is due to minerals in the soil and can be compared to the Zhangye Dangxia Geological Park in China.

The latter receive 1,000 visitors a day. According to Canatur, the number of visitors to the Rainbow Mountain has grown since 2016 to a few thousand tourist a year. This is still a small fraction of the number of tourists that arrive each year to Cusco.

Deciding whether promoting mining or tourism is better for local development may be controversial. This unique ecosystem and their tourist attractions should create employment and livelihoods for locals. Mining could be detrimental for tourism, but it has the potential to generate more financial wealth

Yet, public opinion has spoken loud and clear, so the government and the company have corrected course.



Source: MINCETUR DIRCETUR

## Other initiatives

- There is an important advance in initiatives that promote water management using payment systems for environmental services. For example in July 2016, the regulation of the Law of Compensation for Environmental Services 30215 was passed.
- In 2016, MINAM and the Center for Tropical Agriculture (CIAT) developed two trust funds of \$ 1 million each to implement conservation and sustainable use actions in the Cañete and Jequetepeque basins. These will have an impact on 23,866 hectares in high-Andean landscapes and ecosystems. These funds complement FIDA and GEF financing and provide for payment to communities located in the highlands for their restoration and conservation services in both basins.
- Recently, following a SUNASS initiative, the SEDAPAL water company has started investing in green infrastructure. Included in its Optimized Master Plan 2015-2020 it seeks to invest 1% of its revenues to recover, through a payment mechanism for environmental services, wetlands and Andean forests to contribute to the conservation of water sources.
- Outside of Lima, the Wealth Accounting and the Valuation of Ecosystem Services (WAVES) Alliance developed a pilot project between 2013 and 2016 in the San Martín region to calculate the value of some environmental goods in the economy.





By applying a methodology of economic valuation to assess the potential benefits of transforming San Lorenzo into a recreational spot, it is possible to develop an investment plan that also provide enough resources to preserve the natural beauty and ecosystem of San Lorenzo.

Valuing natural heritage to inform public and private investment could be polemic but it is an opportunity to open an evidence-based debate for tourist sector projects. The feasibility study carried out in 2016 identifies a potential to create jobs for people in El Callao district. The results from 105 interviews to users of tour services to San Lorenzo islands could encourage investment:

- People are willing to pay up to S/.31 for a recreational service offering more time around the island and the option to land.
- Overall, it is possible to generate value of ecosystem services of S/.1,2 million per year, according to the study.

Do these figures configure a credible argument for promoting investment in San Lorenzo? The islands are rapidly becoming crowded. This is the time when authorities offer a comprehensive plan or let the current approach impact negatively so that they feel compelled to making decisions.

These islands are part of Peruvian history, providing outstanding wealth as guano producers, a natural fertilizer, as well as a strategic base for English corsairs and Dutch pirates. The San Lorenzo island still holds pre-Hispanic remains.

Limeans can get to the San Lorenzo island with a few tour operators. They offer a boat trip from Plaza Grau, Callao to surround the island and observe marine life at a cost of 10 soles per person (US\$3 approximately). For most people, it seems that this touristic approach is underestimating the benefits that San Lorenzo offers in terms of history and as a unique ecosystem near the coast of Lima.

“ These islands are part of Peruvian history, providing outstanding wealth as guano producers, a natural fertilizer, as well as a strategic base for English corsairs and Dutch pirates.

**Case study: San Lorenzo Island - a new recreative spot close to Lima.**

Using a contingent valuation methodology, now it is possible to estimate the benefits of establishing a marine-coastal recreational space in San Lorenzo Island.

Ernesto Ortiz del Aguila, a researcher studying the ecosystem of the San Lorenzo Island, recommended in 2016 to carry out an economic feasibility study of an investment project so that the coastal marine areas of the island function as a recreational spot for the city of Lima.

The island is located in front of El Callao bay and is also the largest of a system of small islands that provide shelter to various species along the Peruvian coast. The most common are seals and birds, and these islands serve as their mating and nesting spots.

# Green must be fair

**Case study: Protecting the designs of indigenous peoples and creating market opportunities**

Law N° 27811 established in 2002 the regime for “protecting the collective knowledge of indigenous people linked to biological resources” in order to respect, protect and preserve this knowledge and ensure that using any of its elements requires prior informed consent of communities.

Enforcing mechanisms are still weak, particularly regarding artistic manifestations of indigenous communities. One of the latest cases affected the Shipibo-Konibo community, yet public opinion was quickly mobilized and prevented further damage of their cultural heritage.

“ Kuna, a lifestyle brand that produces high-end alpaca textiles, launched its ‘Light Alpaca 2017-2018’ collection, using designs resembling Kené.



It helped that they are one of the most well-recognized indigenous community in Peru due to its tragic history. Its original territory is in the Amazon regions of Ucayali, Madre de Dios, Huánuco and Loreto, but its settlement in Lima, known as Cantagallo, have given them national fame: in 2016, a voracious fire destroyed this place.

This also put a halt on a development project in partnership

with the Ministry of Tourism and the Rimac local government. The objective was to promote women’s traditional craftwork using Kené (design in Shipibo language) to produce textiles, embroidery and paintings to sell in local markets of Lima.

Kuna, a lifestyle brand that produces high-end alpaca textiles, launched its ‘Light Alpaca 2017-2018’ collection, using designs

“Other communities have suffered violations of their collective and ancestral knowledge, making them less willing to work with private companies.

resembling Kené. Representatives of the Cantagallo community denounced an illegal appropriation of a traditional design.

The company rapidly recognized that the collection designs were in fact inspired by Kené and proposed a meeting with Shipibo - Konibo artisans to develop a commercial partnership for promoting this art. Kuna also withdrew its collection and offered relaunching it once authorization from the community was granted. There is no evidence that this offer was accepted.

Kuna is among the few companies willing to recognize such mistake and compensate accordingly, while

other companies still have used traditional designs from this and other native communities in the market without any type of recognition.

Other communities have suffered violations of their collective and ancestral knowledge, making

them less willing to work with private companies. Nevertheless, Kené has market value that could benefit their owners. It is time to design better mechanisms to make partnerships between communities and companies respectful and profitable.

### Other initiatives

- Poverty in Peru has been decreasing significantly in recent years. For example, it decreased from 58.7% in 2004 to 21.8% in 2015.
- However, inequality as measured by the Gini coefficient, has not declined by an equivalent measure. The Gini coefficient in 2004 was 0.51 and in 2015 was 0.44.
- According to a recent OECD report, the frequency, quantity and intensity of socio-environmental conflicts are frequently associated with other neglected needs of the population. These, in general, transcend the limits of the strictly environmental and they are rooted in the great historical inequalities of the country.
- The Law of Prior Consultation (29785) and its regulations, approved in 2011 and 2012, respectively, that regulate the process of consulting indigenous communities regarding activities that could affect their territories according to ILO Convention 169, is an important advance to advance in the solution of this situation.
- It is also important to highlight an alliance that has been promoting the National Program of Forest Conservation to avoid deforestation of the Amazon together with the native communities of the Ene River basin, which will receive economic benefits its participation.



# Greening economic sectors

## Case study: Electric vehicles (EVs) in Peru - What are the next steps?

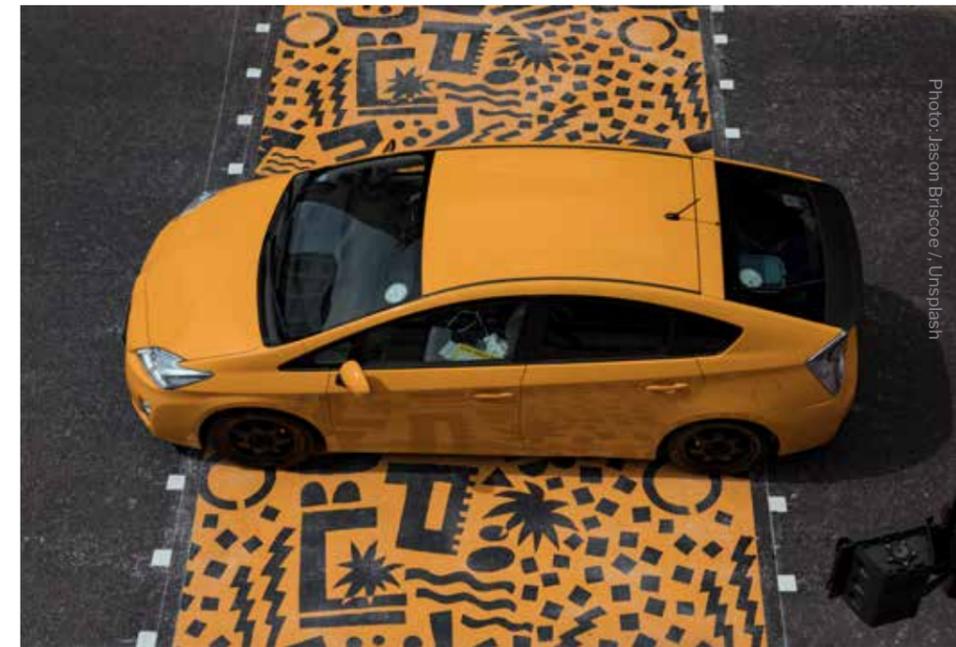
The Peruvian Government has recently changed its excise tax regulatory framework (ISC in Spanish), so that future imports of gas, electric and new hybrid cars are excluded.

Moreover, gasoline vehicles will pay a 10% rate while new diesel vehicles' current rate will increase from 10% to 20%.

This policy change signals the government commitment to promote a future market for electric cars. Although the transport sector represents just 12% of annual greenhouse gas (GHG) emissions (graph), it still demands 40% of energy production in Peru.

Having replaced diesel for less con-

“Having replaced diesel for less contaminant natural gas vehicles reduced the transport sector impact during the last decade.



taminant natural gas vehicles reduced the transport sector impact during the last decade. Now Peru is ready to take an additional step.

After reforming the excise tax structure, the government is seeking to promote private investment to generate a network of electric car recharging facilities. Through a close coordination with the Peruvian Automotive Association (AAP), the government is making progress.

The Jockey Plaza shopping center, one of the biggest in Lima, is installing 40-minute recharging spots as a pilot. The idea is to introduce standards so that vehicle users can have a compatible infrastructure for charging their vehicles, even at home.

Adequate electrical infrastructure in the city combined with government regulation and standards, will provide the basis for creating a dynamic market for EVs. Boosting

“Non-conventional renewable energy such as solar, wind, geothermal and biomass – now 3% of the total – have enormous potential.

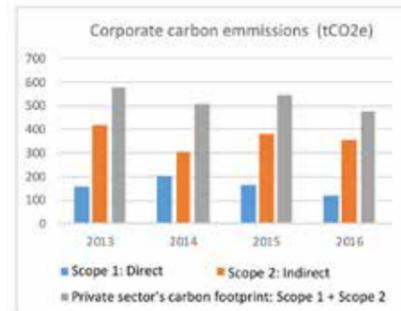


demand through credit or vouchers are among the proposed policy instruments to consolidate this market. So far, there is a group of international companies that are already planning how to attend the future demand for EVs and other related services.

ABB, a transnational technology company, has launched an investment proposal to install 500 electric stations, one every 50 km

along the Panamericana Norte highway by 2030. Other companies are also joining: Engie, a renewable energy company, has developed the first commercial electric bus for Peru; and Enel, an energy distribution company, is planning to serve the next generation of electric taxis.

Government efforts are pointing to mass adoption of EVs in the near future. Reducing the excise tax is a



Source: OSINERGMIN's Eco-efficiency plan 2017

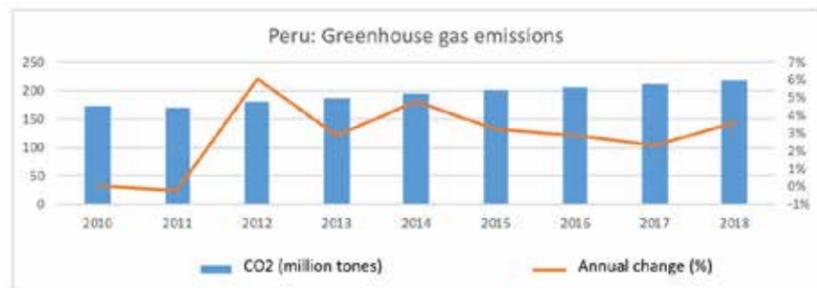
strong signal for triggering private investment, but additional measures are required to achieve rapid adoption by consumers. Therefore, policy coordination between the ministries of Energy, Production and Environment should help to develop an EVs market.

### Case study: Renewable energy in Peru - progress and challenges

Hydropower is the main source of electricity in Peru (57% of total), but non-conventional renewable energy (RER in Spanish) such as solar, wind, geothermal and biomass –now 3% of total– have enormous potential.

Energy policy during the last three decades has effectively diversified electricity sources by promoting the development of natural gas – now 40% of electricity production. Future policy options are pointing to a larger participation of RER, which could reach 15% of electricity production in 2030, according to national energy plans.

Peru has made progress promoting RER using market-friendly instruments. These efforts are starting to pay off as average cost of RER is lower. By introducing new technologies, wind and solar energy are mobilizing private investment, re-



Source: Ministry of Environment

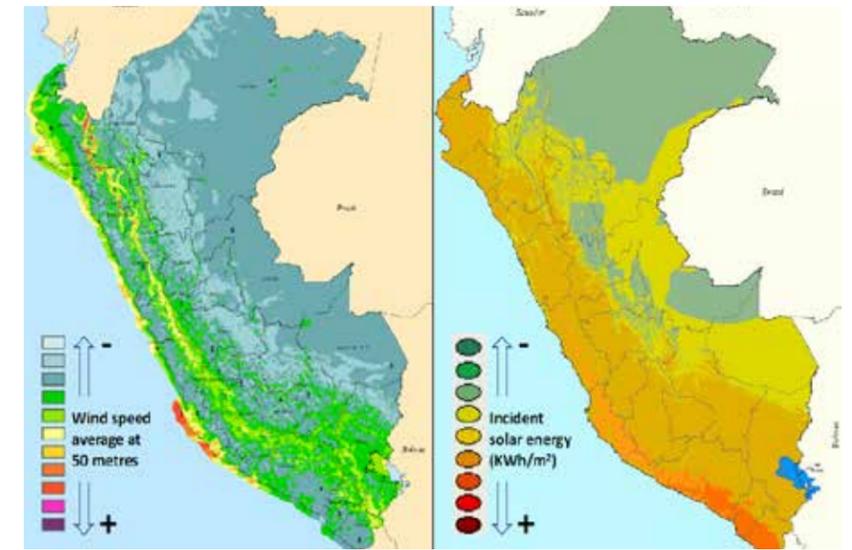
“Changing the energy matrix by promoting cleaner electricity production require an initial boost through public funding and better regulation.

ducing energy infrastructure gaps in remote areas and contributing to reduce private sector carbon footprint.

### Wind and solar energy

Private companies have invested in large wind energy projects but there are legal barriers for scaling up. For instance, current regulation does not recognize firm capacity to wind energy as it does with other options. Yet, Enel Green Power has built the largest wind power plant in Ica (100MW); and Greenenergy from Spain is building another in Cajamarca (36MW). Both locations have the highest potential (map).

The Peruvian government is designing a regulatory framework to



boost participation of non-conventional energy in the national electricity system (SEIN in Spanish). The idea is closing the infrastructure gap in remote areas: the vice Minister of Electricity, Raúl García, has indicated that electrification of rural areas in 2021 will be 100% covered using renewables.

Solar energy has favorable conditions in the south of Peru. Enel, through its subsidiary Enel Green Power, operates the photovoltaic solar plant “Rubi” in Moquegua.

This is the largest solar plant in Peru, using more than 560,000 panels capable to generate 440 GW per year.

Rubi is a US\$170 million investment, partly financed through a European Investment Bank loan, a multilateral bank. For rural areas electrification, Ergon Peru recently secured a US\$140 million international loan with the support of COFIDE, the Peruvian development bank, to implement a US\$180 million project to provide energy to 220,000 families and public services in rural areas.

Changing the energy matrix by promoting cleaner electricity production require an initial boost through public funding and better regulation. For example, Rubi has the potential to prevent 200,000 tCO2e and other RER projects will also help.

Data on private sector carbon emission shows a downward trend (graph) and producing with cleaner electricity sources should enforce this trend.

### Other initiatives

- Agriculture, forest management and transport have been prioritized by the Partnership for Action on Green Economy (PAGE) in Peru.
- In agriculture, this alliance plans to invest in irrigation infrastructure in high Andean areas.
- In forest management, it plans to increase the area under sustainable concession in the Amazon.
- Finally, in transportation, PAGE expects to significantly reduce GHG emissions of the sector (2.59%) through the implementation of the Lima metro system.
- The Ministry of Production that has managed to regulate 100% of the anchovy marine species through a quota system, most of which is consumed in the world via indirect consumption.

# Reforming Finance



**Case study: Peru's laboratory of collective action: INAIGEM signs an agreement to conserve and recover the Quillcay river sub-basin.**

Huaraz is the capital of Ancash, a region north of Lima with the largest tropical ice-covered mountain range in the world and

the largest concentration of ice in Peru: The Cordillera Blanca. The Quilca river sub-basin connects this vibrant city with a system of lakes and glaciers —the latter's area is a third of 1970 due to climate change.

This sub-basin is a frontline against climate change, and diverse

“A mancomunidad is an option to manage ecosystems whose administrative units do not coincide under a territory.

stakeholders in the area are demanding better governance and pool funding mechanisms. Their strategies will serve as lessons to scale up innovations to cope with climate change in other vulnerable ecosystems.

The concept behind a mancomunidad is organized collective action to develop a shared territory in a context of institutional fragmentation. The Waraq mancomunidad unite the Independencia and Huaraz districts, whose areas superimposes that of the Quillcay river sub-basin.

A mancomunidad is an option to manage ecosystems whose administrative units do not coincide under a territory. As a governance mechanism, it should facilitate the transition from pilots to public policy, while guaranteeing stable funding for producing public goods.

Several research institutions, as well as public sector and international cooperation programs, have projects in the area. What is changing is their willingness to work together and scale-up their initiatives.

“Reforestation is also a precondition to launch innovative financial mechanisms such as payments for ecosystem services.

INAIGEM, the national research institute of glacier and mountain ecosystems, and Chavimochic, an irrigation project, have granted S/.233,000 for producing quennial seedlings to reforest communal lands with 160,000 native specimens.

Similar efforts make sense as part of a long-term strategy. For instance, Waraq and the regional government include reforestation plans as part of its efforts to protect glacier, water sources and the livelihoods of rural communities.

Reforestation is also a precondition to launch innovative financial mechanisms such as payments for ecosystem services for water protection and landslide

control around Huaraz, pasture regeneration services to enable cattle raising, scientific research of biological diversity, or tourism services in natural spots, among others.

The Quillcay river sub-basin could become a showcase of integral strategies to cope with climate change. The demonstration effect could trigger similar efforts of coordination in other areas of Peru.

**Case study: Twenty projects aimed at recovering the Amazon forest get funding through the SERFOR – CAF program.**

These twenty winning pilots will provide evidence to a group of decision-makers and inform a long-term development plan for the Amazon region. Will a link between testing and public policy facilitate

the implementation of such macro plan?

Scale and influence are key. The SERFOR-CAF competitive fund is a partnership between the national authority on forestry and wildlife and a leading multilateral institution. By selecting these projects in its third and last bidding process, the fund has completed its plan to allocate S/.35 million (US\$10 million approximately).

Competition for public funds encourages mobilization of resources. The third bidding has generated projects for S/.21.5 million, of which a fourth will be covered by the budget of regional and local governments benefiting from the winning projects. The private sector should be the next partner.

Experimentation generate knowledge for better local

“The country remains far from achieving a strong and long-term commitment to developing renewable energy technologies.



policies in a diverse territory. Seven of these projects focus on recovering degraded ecosystems in Loreto, Huánuco, Madre de Dios, Amazonas, Pasco and Ucayali; nine promote the sustainable use of non-timber resources such as tara and syringa, among others; and the other four projects promote ecotourism in Junín, Madre de Dios, Huánuco and San Martín. A common evaluation framework will derive policy lessons from this diversity.

Although a multiplicity of projects may look like fragmentation, targeted projects help to estimate benchmarks for macro policies. For example, these projects will recover 2,000 has. of forest and directly benefit 25,000 people. A macro policy for the Amazon should tackle an annual deforestation rate of 125 has. per year and provide sustainable livelihoods to 330,000 habitants of the Amazon, according to the last census.

The Latin American Development Bank (CAF) is helping to develop instruments to mobilize private funding by providing grants through competitive funds as seed capital. Private investment in the forestry sector is too risky although highly profitable. Support from a large multilateral institution may signal future political support thus triggering more private sector projects.

Yet money is meaningless without support from policy makers. The government has established in August 2018 a Multisector Intergovernmental Commission to Promote Sustainable Development of the Amazonian Territories, with a

“ Although a multiplicity of projects may look like fragmentation, targeted projects help to estimate benchmarks for macro policies.

mandate to develop an Action Plan for the period 2018 – 2021. Rapid communication of results and evidence from pilots should inform these policies.

The Commission mandate is broad and thus configure an opportunity to generate an evidence-based policy debate over topics such as: improving social services, creating conditions for production considering traditional production modalities; and greening agriculture, cattle raising, forestry and rural development activities. This plan will be ready in 2019.

Like the SERFOR-CAF fund, there are other government programs with the support of international cooperation that have funded development projects in Amazon territories. Rather than classical assistance project for vulnerable populations, the SERFOR-CAF program prioritizes competition among proposals, policy dialogue and sustainability by encouraging organizational, productive and financial capacities among indigenous communities. A macro plan for the Amazon should reflect these attributes.

### Other initiatives

- In spite of the fact that in 2015 an APEC external evaluation committee recommended the elimination of the Price Stabilization Fund for Fuels (FEPC) and to end the exemption of VAT on the sale of fuel in the Amazon region, these are still valid today.
- The green bond market in Peru shows little progress. In May 2017, the then Minister of Economy Alfredo Thorne announced that the IFC had planned to issue about \$ 2 billion to fund environmentally friendly projects in Peru.
- The IFC has not moved forward with this initiative after it issued its first green bond in Peru for 12.8 million dollars in 2014.
- In the same year, Goldman Sachs and Bank of America Merrill Lynch participated in the operation of a 20-year bond for \$ 204 million dollars for the Peruvian company Energía Eólica. The placement was assigned an investment value of (BBB-) by Fitch.

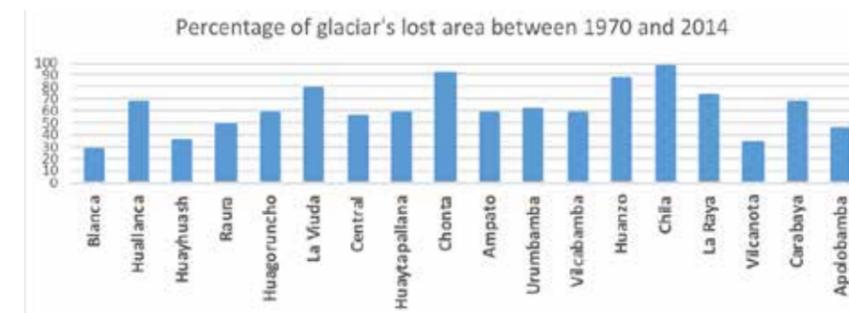
## Measuring what matters

### Case study: Peru, first country to approve a Framework Law on Climate Change in Latin America

Climate change is already negatively impacting the development of Peru. Natural events, now more frequent and intense, have caused economic losses in housing, land, businesses and public infrastructure; children and senior losing their lives or getting sick due to friajes (cold winds in high-altitude areas); reduction of glaciers' area by 61% during the last 50 years; and people migrating to cities, among other impacts.

Peru was an effective actor during the Paris Agreement negotiations. One of its main follow-up actions has been signing the Framework Law on Climate Change as a road map to coordinate the efforts of public and private actors at the nation level.

In line with global agreements such as the Framework Convention on Climate Change (1992), the Kyoto Protocol (1997) and the Paris Agreement (2015), this Framework Law on Climate Change aims at creating conditions so that green-



house gas concentration do not exceed a level compatible with a global temperature rise lower than 2 degrees Celsius by 2050.

On April 17th 2018, the Government of Peru signed this Law with specific obligations for adaptation and mitigation for a variety of sectors, regions and stakeholders.

First, it strengthens the national authority on climate policy by giving power to establish specific legislation, and to monitor, evaluate and coordinate climate change actions. Second, the legislation introduces new criteria to prioritize sector and territorial investment related to natural resources such as water. Third, the Law creates instruments so that nationally determined contributions (NDC) become part

of sector planning. Fourth, it facilitates technical assistance to public entities at the subnational level to define, prioritize and report their adaptation and mitigation actions. Fifth, it establishes a High-Level Multisector Commission to coordinate management, planning and investment actions across ministries.

This is a strong political signal, yet it is just a first step to make this legislation operational across a multiplicity of sectors and actors' interests. Therefore, consultations to design the Law's regulation will test the negotiation skills of the Minister of the Environment.

With the participation of civil society (NGOs, academia and indigenous organizations) as well as private sector and public institutions, the outcome should be a set of actions that empower different actors to coordinate their individual mitigation and adaptation efforts. Not an easy task.

“ This is a strong political signal, yet it is just a first step to make this legislation operational across a multiplicity of sectors.

Photo credit: John O. Nolan / Urnsplash



# The next frontier

The Green Economy Coalition Peru hub is part of a network of 50 international organisations championing the role of civil society in the shift to green and fair economies. The Green Economy Coalition is committed to ensuring that the transition leaves no one behind and restores the natural world.

Together, its members champion the voices of marginalised communities, particularly poor groups, small enterprises and informal workers, in national economic policy development.

Our vision of green, fair economies offers a positive agenda for cooperation. It offers hope to communities and sectors that have been left behind by globalisation. The green transition is already happening around the world, but we must ensure it is rooted in local economies, brings real investment to the ground, and is owned and shaped by the people.

The **Green Economy Coalition's** global response to the state of the green economy agenda:

- ✓ **We have launched a 7 year programme - Economics for Nature – to ensure economic policymaking recognises natural capital.**
- ✓ **We are driving new research into natural capital and valuing our ecosystems.**
- ✓ **We are tracking the ongoing transition towards fairer, greener economies, across governments, industries and societies.**
- ✓ **We're looking to expand our base of 7 GEC national hubs across the world, pioneering community action.**
- ✓ **We are stepping up our focus on small and informal green economies.**
- ✓ **We are championing the voices of civil society and communities in the development of green economy national plans.**