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ALBERTO RODRIGUEZ
Country Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean

July 12, 2017

H.E. Fernando Zavala
Minister of Economy and Finance
Ministry of Economy and Finance
Jiron Junín 319, Cercado de Lima
Lima, Perú

Excellency:

*Re: Peru: Strategic Climate Fund - Forest Investment Program Grant No TF0A4636
Preparation of the Integrated Forest Landscape Management Project in Atalaya, Ucayali
Letter Agreement*

In response to the request for financial assistance made on behalf of the Republic of Peru (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as implementing agency of grant funds provided by Forest Investment Program (“FIP”) under the Strategic Climate Fund (“SCF”), proposes to extend to the Recipient a grant in an amount not to exceed four hundred thousand United States Dollars (USD 400,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from donors (“Donors”). In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement. The award of this Grant does not constitute or imply any commitment on the part of the World Bank, either as implementing agency of the SCF-FIP or in its own capacity, to assist in financing any project which will result from the activities financed by the Grant.

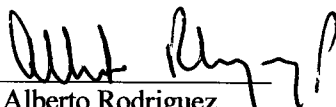
Avenida Álvarez Calderón 185, San Isidro, Lima, Perú

Please note that it is the Bank's policy to make publicly available this Agreement and any information related thereto, after this Agreement has become effective and the Recipient has given its consent to such disclosure. The Recipient, by countersigning this Agreement, confirms its consent to such disclosure.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of the countersigned copy, this Agreement shall become effective as of the date of the countersignature.

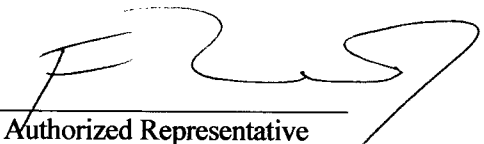
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By 
Alberto Rodriguez
Country Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean

AGREED:

REPUBLIC OF PERU

By 
Authorized Representative

Name FERNANDO ZAVALA

Title MINISTRO DEL MEF

Date: 25 Julio 2017

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Investment Project Financing, dated February 2017
- (3) Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016
- (4) World Bank Procurement Regulations for Borrowers under Investment Project Financing" dated July 1, 2016

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

- (a) “FIP Peru Investment Plan” means the Recipient’s plan (document FIP/SC.11/4/Rev. 1) dated October 18, 2013, and endorsed on October 30, 2013, as amended to the date of this Agreement.
- (b) “MINAM” means the Recipient’s Ministry of Environment, and any legal successor thereto.
- (c) “NPFCCCM” means National Program of Forest Conservation for Climate Change Mitigation, operating under the Ministry of Environment and established pursuant to Supreme Decree (Decreto Supremo) No. 008-2010-MINAM, as published in the Official Gazette on July 15, 2010, or any successor thereto.
- (d) “Operating costs” means the reasonable incremental operating expenses incurred by the Recipient on account of the preparation of the Project, including *inter alia*: operation and maintenance costs of office and office equipment; office supplies, office administration costs, reasonable commercial banking charges and fees, travel costs, per diem, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.
- (e) “Operational Manual” means the manual referred to in Section 2.01 (e) of this Agreement, as the same may be amended from time to time with the agreement of the World Bank.
- (f) “Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.WorldBank.org/opmanual, as amended from time to time.
- (g) “Training and Workshops” means reasonable expenditures (other than those for consultants’ services) incurred by the Recipient in connection with the carrying out of training activities, including seminars, workshops and conference, travel costs and per diem of workshop facilitators and participants; rental of training facilities, preparation, acquisition, reproduction and distribution of training and workshop materials.

Article II Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to provide analytical and technical support to the Recipient for the FIP preparation of the Integrated Forest Landscape Management Project (the Project) in *Atalaya, Ucayali*, consistent with the strategic objectives of the FIP Peru Investment Plan. The Project consists of the following activities:

- (a) *Baseline data collection:* Support the baseline data modeling and collection for the development of a robust monitoring and evaluation system for the proposed Project;
- (b) *Consultation sessions and workshops:* Carrying out consultation sessions and workshops with stakeholders, including representatives of indigenous and local communities, civil society organizations, bilateral and multilateral development partners in support of the Project;
- (c) *Project profile studies:* Carrying out of required technical assistance including: (i) an institutional assessment for the Project's implementation; (ii) an economic analysis; and (iii) an analysis of land ownership and rights in the Project area;
- (d) *Safeguard document preparation:* Support the development of social and environmental safeguard documents necessary for assessing, managing, and mitigating environmental and social risks related to the Project, including preparation of a grievance redress mechanism;
- (e) *Operational manual preparation:* Support the preparation of the Project's Operational Manual; and
- (f) *Communication strategy:* Develop a communication strategy to strengthen stakeholder support and increase information sharing and awareness.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the NPFCCCM of the Ministry of Environment (MINAM), in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and July 1, 2016 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** For purposes of carrying out the Project, the Recipient, through MINAM, shall:

- (a) maintain at all times during Project implementation the NPFCCCM with professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank. The NPFCCCM shall provide administrative, accounting, disbursement, procurement and financial management support to the Recipient; and
- (b) ensure that the terms of reference for any consultancies related to the technical assistance provided under Section 2.01 of the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall require that the advice

conveyed through such consultancies and technical assistance be consistent with the requirement of the World Bank's Safeguard Policies.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the "World Bank Procurement Regulations for Borrowers under Investment Project Financing" dated July 1, 2016 ("Procurement Regulations"), and the provisions of the Recipient's procurement plan for the Project ("Procurement Plan") dated February 15, 2017 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Investment Project Financing", dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Consultants' services including audit, Training and Workshops, and Operating Costs	400,000	100%
TOTAL AMOUNT	400,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is April 16, 2018.

Article IV Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Economy and Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Economy and Finance
Jiron Junin 319,
Cercado de Lima
Lima, Perú

Telephone: Facsimile:
51 (1) 311 5930 51 (1) 626-9921

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: Facsimile:
248423 (MCI) or 1-202-477-6391
64145 (MCI)