Global Environment Facility
Grant Agreement

(Strengthening Sustainable Management of the Guano Islands, Isles and Capes National Reserve Systems Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

and

PERUVIAN TRUST FUND FOR NATIONAL PARKS AND PROTECTED AREAS (PROFONANPE)

Dated February 11, 2014
GEF GRANT NUMBER TF015896

GLOBAL ENVIRONMENT FACILITY GRANT AGREEMENT

AGREEMENT dated February 11, 2014, entered into between: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF") and THE PERUVIAN TRUST FUND FOR NATIONAL PARKS AND PROTECTED AREAS (PROFONANPE) ("Recipient").

WHEREAS the Recipient is an entity vested with legal personality duly established pursuant to the Member Country’s Legislative Decree No. 26154, dated December 29, 1992, and hereby represents that it has the necessary legal capacity and powers to enter into this Agreement and perform its obligations set forth therein.

The World Bank and the Recipient hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. 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, with the modifications set forth in Section II of the Appendix to this Agreement.

1.02. 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.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in technical partnership with SERNANP, with the collaboration of IMARPE, DICAPI and AGRO RURAL, all in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eight million ninety hundred twenty-three thousand United States Dollars ($8,923,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary corporate action.

(b) The SERNANP Agreement has been executed on behalf of the Recipient and SERNANP.

4.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters on behalf of the Recipient, namely, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

4.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any
event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement (the Effectiveness Deadline), unless the World Bank, after consideration of the reasons for the delay, establishes a later Effectiveness Deadline for the purpose of this Section, but in no case later than the 18 months after the World Bank’s approval of the Grant, which expires on June 5, 2015. The World Bank shall promptly notify the Recipient of such later date.

**Article V**

**Recipient’s Representative; Addresses**

5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Executive Director.

5.02. 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

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

5.03 The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

PROFONANPE  
Avenida Javier Prado Oeste 2378, San Isidro  
Lima 27  
Lima – Peru  
Facsimile: 511-218-1049
AGREED at Lima, Peru, as of the day and year first above written.

THE PERUVIAN TRUST FUND FOR NATIONAL PARKS AND PROTECTED AREAS (PROFONANPE)

By

[Signature]
Authorized Representative

Name: Alberto Paniagua
Title: Executive Director

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as an Implementing Agency of the Global Environment Facility

By

[Signature]
Authorized Representative

Name: Livia Benavides
Title: Acting Director
SCHEDULE 1
Project Description

The objective of the Project is to improve the overall management of marine and coastal ecosystems of the RNSIIPG, and protect its biological diversity in Pilot Sites.

The Project consists of the following parts:

Part 1: Institutional Strengthening

1. Support the development and implementation of planning and management instruments through, *inter alia*, (a) the development of: (i) the zoning module of the RNSIIPG Master Plan; and (ii) specific management instruments for Pilot Sites that are not targeted by activities under Part 2 and 3 of the Project; and (b) implementation of a RNSIIPG-specific ecological label to certify sustainable economic and conservation initiatives within RNSIIPG.

2. Support the development and implementation of training plans on, *inter alia*, management and conservation of marine and coastal protected areas.

3. Support the implementation of SERNANP’s infrastructure and support systems for enhanced surveillance and control (including data-sharing mechanisms) on Pilot Sites.

4. Establishment and capitalization of a new trust fund so as to generate sufficient income to finance a portion of SERNANP’s recurrent management costs and Collaborative Subprojects.

Part 2: Collaborative Regional Management

Carrying out of locally implemented Collaborative Subprojects in Pilot.

Part 3: Monitoring and Evaluation

1. Provision of support for: (a) the development of ecological baseline approaches to monitor marine biodiversity; (b) the implementation of regular ecological monitoring systems in Pilot Sites once the activity under (a) above has been completed; and (c) the carrying out of a research initiative in *Lobos de Añuera* Islands to study the area’s biodiversity.

2. Support the development and implementation of a management effectiveness monitoring and evaluation system within SERNAP.

3. Provision of support for the monitoring and evaluation of Project performance.
Part 4: Project Management

Strengthening the Recipient’s capacity to carry out the administrative and financial management of the Project.
SCHEDULE 2

Project Execution

Section I.  Institutional and Other Arrangements

A. Administration Council and Technical Committee

1. Not later than 30 days after the Effective Date, the Recipient shall create and thereafter operate and maintain at all times during Project implementation, an Administration Council with functions and responsibilities satisfactory to the World Bank, and comprised of: (a) one representative of SERNANP; (b) one representative of the Recipient’s Board of Directors; (c) one representative of the Stakeholders to be invited, on an annual basis, by the two representatives under letters (a) and (b) above; and (d) the Recipient’s Executive Director, who will act as technical secretary.

2. The Stakeholders’ representative under letter (c) above shall serve a one-year term and shall be selected so as to represent the local Stakeholders participating in the Project.

3. The Recipient shall cause the Administration Council to meet at least twice a year to review Project progress and approve the Annual Operational Plans, progress reports, modifications to the Procurement Plan and Project audits.

4. Not later than 30 days after the Effective Date, the Recipient shall create and thereafter operate and maintain at all times during Project implementation a Technical Committee with functions and responsibilities satisfactory to the World Bank, including provision of advice on: (a) the technical aspects of the Project; (b) monitoring and evaluation; and (c) aspects of participation of Stakeholders and local representatives from the targeted communities who are directly or indirectly involved in the Project, comprised of, inter alia: (i) one representative of SERNANP; (ii) one representative of IMARPE; (iii) one representative of the Recipient; (iv) one representative of the Administration Council; and (e) the Project coordinator, acting as the Technical Committee secretary.

5. The Recipient shall cause the Technical Committee to meet at least twice a year to ensure that field experience is taken into consideration in the Annual Operational Plans.

6. The Recipient, in coordination with the PCT, shall cause SERNANP, not later than September 30 of each year, to prepare the Annual Operational Plans and the progress reports that may be required by the Administration Council and the Recipient.
B. SERNANP Agreement

1. The Recipient shall enter into an agreement (the SERNAP Agreement) on terms and conditions acceptable to the World Bank, with SERNANP, to define SERNANP’s role and responsibilities in the implementation of the Project, specifically detailing the following obligations:

(a) supervise the technical PCT staff;

(b) prepare the terms of reference for technical studies and conduct the quality control of these studies in coordination with the PCT;

(c) in coordination with the Recipient, participate in the selection and recruitment of private sector nonprofit organizations to manage administration contracts with RNSIIPG;

(d) prepare the Annual Operational Plans and the progress reports referred to in Section I.A.6 of Schedule 2 to this Agreement;

(e) conduct the necessary coordination and communications with the Recipient and local executing agencies; and

(f) comply with the Anti-Corruption Guidelines (by for example, allowing World Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines).

2. The Recipient shall exercise its rights and carry out its obligations under the SERNANP Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank may otherwise agree, the Recipient shall not amend, terminate, waive, abrogate or fail to enforce any provision of the SERNANP Agreement. In case of any conflict between the terms of the SERNANP Agreement and those of this Agreement, the terms of this Agreement shall prevail.

C. Project Coordination Team

1. The Recipient, not later than 30 days after the Effective Date, shall appoint and thereafter maintain and supervise until the completion of the Project, a coordination team (the PCT comprised of: (a) a fiduciary team, under the supervision of the Recipient, responsible for the administration, procurement and financial management aspects of the Project; and (b) a technical team, under the supervision of SERNANP, responsible for the overall technical implementation and coordination of the Project. Said team shall have a structure, responsibilities and key staff with functions, experience, responsibilities and qualifications acceptable to the World Bank.
D. **Operational Manuals and Safeguards**

1. The Recipient shall, and shall cause SERNANP to, carry out the Project in accordance with: (a) the Environmental Assessment; (b) the Process Framework; (c) the Operational Manual; (d) the Collaborative Subprojects Manual; and (e) the applicable Project's Annual Operational Plan.

2. All advisory, analytical, planning, institutional capacity building, strategizing and other such services provided under the Project shall be carried out according to terms of reference, satisfactory to the World Bank, calling for such services to deliver products that take into account, and are consistent with, the applicable World Bank's Safeguards Policies.

E. **Collaborative Subprojects**

1. The Recipient shall carry out of Part 2 of the Project in accordance with a Collaborative Subprojects Manual satisfactory to the World Bank, said manual to provide the criteria for the selection of Beneficiaries and Collaborative Subprojects, as well as appropriate procedures for related monitoring and evaluation, including: (a) a description of the Collaborative Subproject cycle; and (b) a standard form of Sub-grant Agreements.

2. (a) With respect to Part 2 of the Project, the Recipient shall enter into separate agreements with each Beneficiary (the Sub-Grant Agreements), under the terms and conditions specified in the Collaborative Subprojects Manual, such agreements to provide for:

   (i) the transfer to such Beneficiary, on a grant basis (the Sub-Grant), of the funds required by such Beneficiary to carry out a Collaborative Subproject;

   (ii) the obligation of such Beneficiary to carry out such Collaborative Subproject as provided in the Collaborative Subprojects Manual; and

   (iii) the obligation of such Beneficiary to comply with the Anti-Corruption Guidelines (by for example, allowing World Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines).

(b) The Recipient: (i) shall exercise its rights and carry out its obligations under each Sub-grant Agreement in such a manner as to protect the interests of the World Bank and the Recipient and to accomplish the purposes of the Grant; and (ii) except as the World Bank shall otherwise agree, shall not assign, amend, abrogate, terminate, waive or fail to enforce any Sub-grant Agreement or any provision thereof.
F. Asset Manager

1. For the purposes of managing the proceeds of the Grant allocated to Part 1.4 of the Project, in accordance with the Investment Strategy, at all times during the execution of the Project, the Recipient shall:

(a) retain the services of a recognized Asset Manager of experience and qualifications acceptable to the World Bank, operating under terms of reference satisfactory to the World Bank; and

(b) enter into an agreement with the Asset Manager (Asset Manager Agreement) containing terms and conditions satisfactory to the World Bank, including the obligation of the Asset Manager to:

(i) administer the proceeds of the Grant allocated to Part 1.4 of the Project in accordance with the investment Strategy;

(ii) not later than one (1) month after the end of each semester during the implementation of the Project, furnish to the Recipient a report regarding management performance, capital value, asset allocation, and investment income with respect to the Grant;

(iii) comply with the Anti-Corruption Guidelines (by for example, allowing World Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines); and

(iv) abide by the provisions of paragraph 2 below.

2. (a) pursuant to the provisions of the Asset Management Agreement, the Recipient shall cause the Asset Manager to maintain records and account adequate to reflect in accordance with sound accounting practices its operations and financial condition, including records and separate accounts in respect of the proceeds of the Grant allocated to Part 1.4 of the Project.

(b) pursuant to the provisions of the Asset Management Agreement, the Recipient shall cause the Asset Manager to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), which include the Grant proceeds for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the World Bank;
(ii) furnish to the Recipient as soon as available, but in any case not later than six months after the end of each such Fiscal Year: (A) certified copies of its financial statements for such Fiscal Year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the World Bank shall have reasonably requested including, as part of the information provided in each such reports, a management letter concerning internal controls; and

(iii) furnish to the Recipient such other information concerning said records, accounts and financial statements as well as the audit thereof, as the World Bank shall from time to time reasonably request.

(c) The Recipient: (i) shall exercise its rights and carry out its obligations under the Asset Manager Agreement in such a manner as to protect the interests of the World Bank and the Recipient and to accomplish the purposes of the Grant; and (ii) except as the World Bank shall otherwise agree, shall not assign, amend, abrogate, terminate, waive or fail to enforce the asset Manager Agreement or any provision thereof.

(d) The Recipient not later than six months after the end of each such Fiscal Year, shall furnish to the World Bank the financial information referred to in Section F.2(b)(ii) above.

G. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 the 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 45 days after the end of the period covered by such report.

2. 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 three months after the Closing Date.
B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of each Project Report, covering the calendar semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have (i) the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions; and (ii) the Financial Statements of the income generated and its use of the proceeds of the Grant allocated to Part 1.4 of the Project. Each such audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient or any other period acceptable to the World Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works non-consulting services and 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:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of
particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in Section III.E of this Schedule 2; (b) Shopping; and (c) Direct Contracting.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the World Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

E. **Special Provisions**

1. In addition and without limitation or restriction to any other provisions set forth in this Section or the Procurement Guidelines, the following provisions shall govern the procurement of goods, works and non-consulting services under National Competitive Bidding procedures:
(a) Foreign bidders shall not be required to be locally registered as a condition of participation in the selection process.

(b) No reference value shall be required for publication in the bidding documents or used for the purpose of bid evaluation.

(c) Award of contracts shall be based exclusively on price and, whenever appropriate, shall take into account factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

(d) Foreign bidders shall be allowed to submit a bid under NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to bid such as, but not limited to, the requirement to authenticate (legalizar) their bidding documents or any documentation related to such bidding documents with either Peruvian Consulates, the Member Country's Ministry of Foreign Affairs, or any Peruvian authorities as a prerequisite for bidding.

(e) The Recipient shall use standard bidding documents and standard evaluation formats, all satisfactory to the Bank.

2. In addition and without limitation or restriction to any other provisions set forth in this Section or the Consultant Guidelines, the following provisions shall govern all employment of consultants:

(a) Foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.

(b) Foreign consultants shall not be required to authenticate (legalizar) any documentation related to their participation in the selection process with Peruvian Consulates, the Member Country's Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.

(c) The Recipient shall use standard requests for proposals and standard evaluation formats; all satisfactory to the World Bank.

(d) Foreign consultants, either individuals or firms, shall not be required to pay fees to the Peruvian Consultants' Association that are different from those required for Peruvian consultants.

(e) No individual consultant hired for the Project, at the time he or she is carrying out his or her contractual obligations as consultant, may hold civil service office or any other position in any agency or instrumentality of the Member Country, nor shall such consultant have any right to re-
entry into any such office or position upon the conclusion of his or her consulting services.

Section IV. Withdrawal of Grant Proceeds

A. General

1. 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 Projects” dated May 2006, 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 table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultant Services, non-consulting services, goods, works, training and Operational Costs</td>
<td>3,510,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Capital Endowment under Part 1.4 of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Collaborative Subprojects</td>
<td>3,413,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>8,923,000</td>
<td></td>
</tr>
</tbody>
</table>
3. For the purposes of this Schedule, the terms:

(a) "Operating Costs" means expenditures (other than those for consultants' services and Non-consultant Services) incurred by the Recipient in connection with the implementation of the Project, all of which would not have been incurred absent the Project, including the operation and maintenance of motor vehicles, equipment and computer maintenance, communication (including Internet connectivity), office supplies, rent for office facilities, utilities, insurance, travel and per diem costs for Project staff, banking fees, courier services and the costs associated with the organization of meetings of the Technical Committee.

(b) "Training" means expenditures (other than those for consultants' services and Non-consultant Services) to finance the reasonable cost of facilitators and/or services of trainers, meeting rooms, publications, per diem and travel (including study tours) and meals of attendees of training events (including seminars) organized under the Project.

(c) "Capital Endowment" means the portion of the Grant funds used for the capitalization of the new trust fund referred to in Part 1.4 of the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $100,000 equivalent may be made for payments made prior to this date but on or after October 1, 2013, for Eligible Expenditures under Category (1);

(b) under Category (3) unless the Recipient shall have adopted the Collaborative Subprojects Manual; and

(c) under Category (2) unless: (i) the account to receive the Capital Endowment has been established in a manner satisfactory to the World Bank; and (ii) the Asset Management Agreement shall have been executed and delivered on behalf of the parties thereto.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2019.

Section V. Other Undertakings

1. The investment income deriving from the proceeds of the Grant allocated to Part 1.4 of the Project (and any portion of the capital, in case such use of a portion of
the capital has been approved by the World Bank) shall be used exclusively for financing of SERNANP's recurrent management costs and Collaborative Subprojects.

2. If any of the following events shall occur within 15 years of the date of this Agreement, upon notice from the World Bank, the Recipient shall promptly refund (or cause the Asset Manager to refund) to the World Bank, for deposit into the Grant Account, the amount of the Grant allocated to Part 1.4 of the Project, in whole or in part, at the World Bank's option:

(a) that the World Bank shall have determined, at any time, that: (i) the Recipient shall have failed to perform any of its obligations under this Agreement; and (ii) the Recipient shall have failed to perform any of its obligations under the SERNANP Agreement;

(b) expenditures shall have been made under a contract in respect of which the World Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the World Bank to remedy the situation;

(c) the Project Operational Manual, the Investment Strategy or the Asset Management Agreement shall have been amended, suspended, terminated, waived or failed to be enforced in a manner which, in the opinion of the World Bank, would materially and adversely affect the implementation of the Project or the attainment of its objective;

(d) the Recipient shall have been dissolved or their operations shall have been suspended; and

(e) that any payment of the investment income or capital referred to in paragraph 1 of this Section V was used for any expenditure not consistent with the provisions of this Agreement.
APPENDIX

Section I. Definitions

1. “Administration Council” means the council referred to in Section I.A.1 of Schedule 2 to this Agreement.

2. “Annual Operational Plans” means any of the annual work programs referred to in Section I.A.6 of Schedule 2 to this Agreement.


4. “Asset Manager” means the asset manager referred to in Section I.F.1(a) of Schedule 2 to this Agreement.

5. “Asset Manager Agreement” means the asset manager agreement referred to in Section I.F.1(b) of Schedule 2 to this Agreement.

6. “Beneficiary” means any Stakeholder which is selected to carry out a Collaborative Subproject (as hereinafter defined) pursuant to the criteria set forth in the Collaborative Subprojects Manual.

7. “Collaborative Subproject” means any program or productive investment supporting environmentally sustainable economic activities to be carried out by a Beneficiary under Part 2.1 of the Project, that meets the criteria set forth in the Collaborative Subproject Manual.

8. “Collaborative Subprojects Manual” means the manual referred to in Section I.E.1 of Schedule 2 to this Agreement.

9. “Environmental Assessment” means the document prepared by the Recipient dated August 1, 2013, acceptable to the World Bank, as published and available to the public on the website www.profonanpe.org.pe and www.sernanp.gob.pe, which contains the environmental protection measures in respect of the Project, including: (i) measures for chance findings of cultural property; (ii) protection of natural habitats; (iii) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project (including Subprojects); and (iv) the recommendation of mitigation measures for each negative impact identified.
10. “Fiscal Year” means the Recipient’s fiscal year which commences on January 1 and ends on December 31 of each calendar year.

11. “Investment Strategy” means the investment strategy to be approved by the Recipient’s Board of Directors for the investment of the proceeds of the Grant allocated to Part 1.4 of the Project pursuant to the Asset Manager Agreement.

12. “Member Country” means, in this Agreement and in the Standard Conditions, the Republic of Peru.

13. “Operational Manual” means the Manual de Procedimientos de PROFONANPE, the Recipient’s manual dated May 17, 2013 that contains, inter alia: (i) provisions on the Recipient’s administrative, financial and environmental procedures; (ii) eligibility criteria for the selection of the Pilot Areas under the Project; and (iii) the operating procedures for the investment and utilization of the proceeds of the Grant allocated to Part 1.4 of the Project; as the same may be modified or amended from time to time by agreement between the World Bank and the Recipient.

14. “Pilot Sites” means the following islands, islets and capes located in the coastal zone of the Member Country’s territory: Santa, Don Martin, Punta Coles, Lobos de Tierra Islands, Chincha Islands, Guanape Islands, Punta Salinas, Pachacámac, Asia, Ballestas and Lobos de Afuera Islands.

15. “Process Framework” means the Recipient’s framework, dated July 22, 2013, and published on www.profonompe.org.pe and www.sernanp.gob.pe, acceptable to the World Bank, setting forth the criteria and procedures to be followed as part of the Project, in case where Project-induced involuntary restriction of access to natural reserve resources result in adverse livelihood impacts and the type of assistance to be offered to the eligible affected persons in their efforts to restore or improve their livelihoods in a manner which maintains the social (and environmental) sustainability of the nature reserve in question, and a description of the participatory process by which sustainable development action plans will be prepared and implemented, including: (a) mitigation measures to assist the affected persons in their efforts to improve or restore, in real terms, their livelihoods while maintaining the sustainability of the Pilot Site; (b) grievance/conflict resolution mechanism involving affected persons; and (c) a description of the arrangements for implementing and monitoring the process.
16. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated October 24, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. "Project Coordination Team" or "PCT" means the Recipient’s team referred to in Section I.C.1 of Schedule 2 to this Agreement.


19. "RNSIIIPG Master Plan" means SERNANP’s strategic planning document which set forth, inter alia: (i) guidelines for the management of the RNSIIIPG; and (ii) the general management strategies and policies for protected areas, its strategic conservation targets, a zoning plan for the protected areas, its management structure and specific use plans.

20. "SERNANP" means Servicio Nacional de Áreas Naturales Protegidas por el Estado (the Member Country’s National Service of Natural Protected Areas), created pursuant to the Member Country’s Legislative Decree No. 1013, dated 2008, as amended to the date of this Agreement.

21. "SERNANP Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement.

22. "Stakeholders" means any civil society organization operating in the Member Country’s territory interested in protected areas management, biodiversity conservation and sustainable use, including local and regional governments, local communities and grass-root organizations, non-governmental organizations, private sector companies, and academic and scientific institutions.

23. "Sub-grant" means any grant to be made out of the proceeds of the Grant for a Beneficiary to finance works, goods and services (including non-consultant services) under a Collaborative Subproject.

24. "Sub-grant Agreement" means any of the agreements referred to in Section I.E.2(a) of Schedule 2 to this Agreement.

25. "Technical Committee" means the committee referred to in Section I.A.4 of Schedule 2 to this Agreement.
26. "World Bank Safeguard Policies" means the Bank's operational policies and procedures, set forth in the Bank's operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under www.WorldBank.org/opmanual.

Section II. Modifications to the Standard Conditions

1. The provisions of Section 5.03, *Arbitration*, are deleted in their entirety and replaced by the following:

   "Section 5.03. Arbitration. Any dispute, controversy, or claim arising out of or relating to the Grant Agreement, which has not been settled by agreement of the parties, shall be submitted to arbitration in accordance with the UNCITRAL Arbitration Rules in effect on the date of the Grant Agreement, and the following provisions: (a) the appointing authority shall be the Secretary-General of the Permanent Court of Arbitration; and (b) the language of the arbitral proceedings shall be English."