Dr. Arturo Flores
Jefe del INIA
Instituto Nacional de Innovación Agraria (INIA)
Av. La Molina 1981
Lima-12, Peru

Re: REPUBLIC OF PERU: Support to the Peru National Agricultural Innovation Program Project
SFLAC Grant No. TF012180

Dear Dr. Flores:

In response to the request for financial assistance made on behalf of the Instituto Nacional de Innovación Agraria (INIA) ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by Spain ("Donor") under the Spanish Fund for Latin America and the Caribbean (SFLAC), proposes to extend to the Recipient for the benefit of the Republic of Peru ("Member Country"), a grant from the SFLAC in an amount not to exceed three hundred fifty thousand United States Dollars (U.S.$ 350,000) ("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 the Donor. 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 Donor 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.

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.
This Agreement shall become effective upon receipt by the World Bank of an original countersigned copy of this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Susan G. Goldmark
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

AGREED:

INSTITUTO NACIONAL DE INNOVACIÓN AGRARIA (INIA)

By: [Signature]

Authorized Representative

Name: JUAN ARTURO FRAZER MARTINEZ

Title: JEFE DE INIA

Date: 07 SET. 2012

Enclosures:

2. Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.0  **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 and the following terms have the following meanings:

(a) "INIA" means Instituto Nacional de Innovación Agraria, the Member Country’s national institute of agrarian innovation, a decentralized public entity within the Ministry of Agriculture, established pursuant to law No 25,902, as amended to the date of this Agreement, and operating in accordance to supreme decree No. 020-2003-AG, as amended to the date of this Agreement, or any successor or successors acceptable to the World Bank.

(b) “Ministry of Agriculture” means Ministerio de Agricultura, the Member Country’s ministry of agriculture, or any successor or successors acceptable to the World Bank.

(c) “National Agricultural Innovation Program” or “Program” means Programa Nacional de Innovación Agraria, the Member Country’s program to be implemented by the Recipient, aimed at promoting innovation to enhance the Member Country’s national agricultural productivity and improve competitiveness levels of small and medium size farmers.


Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance the institutional capacity of the Recipient to prepare and implement the National Agricultural Innovation Program.

Part 1: Studies to Support the Design of the National Agricultural Innovation Program

Carrying out of studies to support the design of the National Agricultural Innovation Program, including *inter alia*:

(a) the preparation of a benchmark study for agricultural innovation in Latin America;

(b) the carrying out of an institutional diagnosis of the Recipient;

(c) the preparation of an environmental impact assessment for the Program;
(d) the preparation of a social impact assessment for the Program, including gender-specific perspectives; and

(e) the preparation of the requirements for a monitoring and evaluation system for the Program.

**Part 2: Preparation of National Agricultural Innovation Program Components**

Provision of technical assistance to the Recipient to support and enhance the preparation of the Program’s components, through, *inter alia*:

(a) the development of a proposal for the establishment of the national agricultural innovation office;

(b) the identification and planning of specific activities for the strengthening of the Member Country’s agricultural innovation system;

(c) the preparation of interventions to support the regionalization of agricultural innovation; and

(d) the planning of strategic research activities of a public goods nature, including, *inter alia*, the production of basic seed.

**Part 3: Technology Foresighting and Vision Development**

Preparation of a vision document to support the long term development of the Member Country’s agricultural innovation system (the Vision Paper), including, *inter alia*: the prospects for agricultural development and agricultural innovation in the Member Country.

(b) Carrying out of workshops with relevant stakeholders aimed at integrating their views in the Vision Paper.

(c) Dissemination of the Vision Paper to the private and public stakeholders of the Member Country’s agrarian innovation system.

**Part 4: Project Audits**

Carrying out of the Project’s financial audits.

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 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** For purposes of carrying out the Project, the Recipient shall:
(a) ensure that the terms of reference for any consultancies related to studies, technical assistance or capacity building that may have implications or could affect environmentally or socially sensitive areas, incorporate the requirements of the World Bank's Safeguard Policies, in a manner acceptable to the World Bank; and

(b) maintain, until completion of the Project, key staff in number and with experience and qualifications that shall be at all times acceptable to the World Bank.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **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 five months after the Closing Date.

2.06. **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 as part of the Project Report not later than one month 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 for the Project 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 months after the end of such period.

2.07. **Procurement.** All goods and consulting services required for the Project and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in 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”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (“Consultant Guidelines”).
2.08. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the World Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) 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 following table. The 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</td>
<td>300,580</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs</td>
<td>17,020</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Workshops and Training</td>
<td>32,400</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>350,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purpose of this section, the term: (i) “Workshops and Trainings” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation; and (ii) “Operating Costs” means the reasonable incremental operating expenses incurred by the Recipient on account of the implementation, management and monitoring of the Activities, including travel and *per diem* of the Recipient’s staff (including travel related costs), telephone, local transportation, communications and publication, but excluding the salaries and indemnities of officials and public servants of the Member Country’s civil service.

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 countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.
Article IV
Termination

4.01. Termination for Lack of Implementation or Disbursement. This Agreement and all obligations of the parties under it shall terminate if the Grant has not been implemented or has not disbursed any funds by January 4, 2013, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Director General (Jefe del INIA).

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

Instituto Nacional de Innovación Agraria
Av. La Molina 1981
Lima-12, Peru

5.03. 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

Facsimile: 1-202-477-6391