Mr. Jorge Merino Tafur  
Minister of Energy and Mines  
Ministry of Energy and Mines  
Av. Las Artes Sur 260  
San Borja  
Lima, Peru  

Mr. Luis Olivera Cárdenas  
Executive Director  
Peruvian Agency for International Cooperation  
Av. José Pardo 261  
Miraflores  
Lima, Peru

Re: MDTF EITI Grant No. TF015428  
Republic of Peru: Support to the Implementation of the Extractive Industries  
Transparency Initiative Project

Dear Sirs,

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 administrator of grant funds provided multiple donors ("Donors") under the Extractive Industries Transparency Initiative ("EITI") Implementation Support Facility Trust Fund (EITI MDTF), proposes to extend to the Recipient a grant 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 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.
This Agreement shall become effective upon receipt by the World Bank of a countersigned copy of this Agreement; provided however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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:

REPUBLIC OF PERU
Ministry of Energy and Mines

By: (Authorized Representative)

Name: JORGE MERINO TAFUR
MINISTRO DE ENERGÍA Y MINAS

Title: 

Date: September 20, 2013

REPUBLIC OF PERU
Peruvian Agency for International Cooperation

By: (Authorized Representative)

Name: Luis Humberto Olivera Cárdenas
Director Ejecutivo
Agencia Peruana de Cooperación Internacional

Title: 

Date: September 20, 2013
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 and the following additional items have the following meaning:

(a) "CSOs" means civil society organizations.

(b) "Direccion de Gestion Social" means the Recipient’s Social Administration Office within the Recipient's Ministry of Energy and Mines, or any successor or successors thereto.

(c) "EITI Criteria" means the criteria established by EITI and referred to in the Grant Agreement for TF071337, dated September 16, 2009, as amended from time to time by the parties thereto.

(d) "Extractive Industries Transparency Initiative" and "EITI" each means the standard adopted by the Association for the Extractive Industries Transparency Initiative, an association established by Articles of Association adopted February 16, 2009, as the same may be amended from time to time. National Commission" means the commission established by the Recipient through Supreme Decree No 027-2006-EM, dated 2006, to prepare and manage the EITI process in the Recipient’s territory and comprised representatives of the Recipient, the mining and petroleum industries and civil society.

(e) "OGA" means Oficina General de Administración, the General Administrative Office within the Recipient’s Ministry of Energy and Mines, or any successor or successors thereto.

(f) "Pilot Regions” means the Recipient’s regions selected to participate in the Project in accordance with criteria acceptable to the World Bank.

(g) "World Bank’s Safeguards Policies" means the World Bank’s operational policies and procedures set forth in the Association’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.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to build the Recipient’s capacity to ensure the transparency of payments and revenues in the extractive industry, by supporting the EITI National Commission in implementing activities and processes necessary for the consolidation of the Recipient Extractive Industries Transparency Initiative in line with the EITI Principles. The Project consists of the following parts:
Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

(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


Part 1: Preparation and Production of the EITI Report

Improving the Recipient's EITI reporting by:

(a) Preparing the report for the calendar years 2011 and 2012 including, *inter alia*: (i) the standardized criteria for data processing and the adoption of reporting formats; (ii) the reconciliation of disaggregated data on revenues over production quotas, state-owned enterprise operations, and midstream payments and the reflection of said date in the Recipient's public budget; (iii) the specifications to cover regional or local taxes, and revenue payments to subnational governmental instances; and (iv) an annual timetable for the annual reporting cycle for the timely production of the national audit reports.

(b) Carrying out of workshops and advocacy activities to promote: (i) the adherence of companies to the Recipient's EITI; and (ii) the disaggregation of data during the preparation of EITI audit reports.

(c) Carrying out of capacity building activities for members of the National EITI Commission to progressively expand the coverage of the EITI audit reports.

(d) Drafting the terms of reference for the third EITI audit reports, covering calendar years 2011, 2012, and 2013.

Part 2: Functioning and Leadership of the National EITI Commission

Strengthening the capacity of the National EITI Commission's performance to implement the Recipient's EITI, by:

(a) Organizing discussions among the National EITI Commission members and Recipient's officials for institutional requirements to ensure the sustainability and deepening of the Recipient's EITI implementation process, focusing on the operation of the Commission's technical secretariat.

(b) Facilitating the National Commission Members engagement in the Recipient's EITI reporting processes, through, *inter alia*, workshops and roundtables.

(c) Preparing and implementing a strategy to fundraise public and/or private funds for the operation of the National EITI Commission.

(d) Dissemination of the Recipient's EITI, through the implementation of the communication activities, included as part of the Recipient's EITI.

Part 3: EITI Implementation at the Subnational Level

Supporting the implementation of the Recipient's EITI in Pilot Regions by:

(a) Carrying out of workshops to engage private companies, CSOs, and local governments in the implementation of the Recipient's EITI in Pilot Regions.

(b) Drafting the terms of reference for reports on verification and socioeconomic impact at the regional and local level as a result of resources provided by extractive industries.

(c) Carrying out of the reports referred to in Part 3 (b) for the Pilot Regions.
Part 4: Public Debate and Impact

Increasing the awareness on the implementation progress of the Recipient’s EITI by:

(a) Carrying out of dissemination activities to reach out to stakeholders at various forums, including, *inter alia: Conferencia Anual de Ejecutivos (CADE), Consejo Interregional Amazónico (CIAM), Consejo Nacional de la Competitividad (CNC), Mesa de Concertación de Lucha Contra la Pobreza,* and the Public Expenditure Framework Assessment (PEFA) Partnership Program.

(b) Disseminating lessons learned from the Recipient’s EITI audit reports.

(c) Carrying out of capacity building activities to promote the use of the Recipient’s EITI audit reporting data focusing on the benefits of extractive activities and their broader socioeconomic development impacts.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through its Ministry of Energy and Mines, 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 and without limitations upon the provisions of Section 2.02 above, the Recipient, through its Ministry of Energy and Mines, shall:

(a) carry out the fiduciary aspects of the Project through its OGA;

(b) carry out the technical aspects of the Project through its Dirección de Gestión Social;

(c) ensure that OGA and Dirección de Gestión Social, maintain at all times during Project implementation, staffing, resources, functions and responsibilities, satisfactory to the World Bank for the implementation of the Project;

(d) ensure, that the terms of reference for any consultancies related to any of the Project activities, or the terms of reference for any technical assistance provided under the Project, shall be satisfactory to the World Bank and, to that end, such terms of reference shall incorporate the requirements of the World Bank’s Safeguard Policies as applied to the advice conveyed through such consultancies and technical assistance; and

(e) prior to conducting any training or workshop under the Project, furnish to the World Bank for its review, the following information relating to such training or workshop: (i) the objective and content of the respective training or workshop; (ii) the criteria for the selection of the trainer or facilitator conducting such training or workshop, (iii) the expected duration and an estimate cost of said training or workshop; and (iv) the criteria for the selection of trainees or participants to said training or workshop.

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 Donors’ support for the Project.
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 Donors 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, through its Ministry of Energy and Mines, 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, through its Ministry of Energy and Mines, 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.

2.06. **Financial Management.** (a) The Recipient, through its Ministry of Energy and Mines, 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, through its Ministry of Energy and Mines, 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.

The Recipient, through its Ministry of Energy and Mines, shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement.** All goods, non-consulting services, and/or 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”).

(a) **Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the 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; and (F) Selection of Individual Consultants.
(b) **Procurement of Goods and Non-consultant Services.** 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 and non-consulting services with National Competitive Bidding procedures under this Section:

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

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

(iii) 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.

(iv) Foreign bidders shall be allowed to participate in National Competitive Biddings 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 document related to such bidding documents with either Peruvian Consulates, the Recipient’s Ministry of Foreign Affairs, or any Peruvian authorities as a prerequisite of bidding.

(c) **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.

(d) **Special Procurement Provisions.** Without limitation to any other provisions set forth in this Section or the Consultant Guidelines, the following shall expressly govern the procurement of consultants’ services under this Section:

(i) foreign consultants shall not be required to be locally registered as a condition of participation in the selection process;

(ii) foreign consultants shall not be required to authenticate any documentation related to their participation in the selection process with the Recipient’s Consulates, the Recipient’s Ministry of Foreign Affairs, or any of the Recipient’s authorities as a condition of participation in said selection process;

(iii) the Recipient, through its Ministry of Energy and Mines, shall use standard requests for proposals and standard evaluation formats; all satisfactory to the World Bank; and

(iv) foreign consultants, either individuals or firms, shall not be required to pay fees to the Recipient’s consultants’ association that are different from those required for Peruvian consultants.

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, through its Ministry of Energy and Mines, 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, through its Ministry of Energy and Mines, may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of 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 100% of 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) Goods, consultants’ services, Operating Costs and Training and Workshops.</td>
<td>350,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>350,000</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purpose of this Section the terms:

   (i) “Operating Costs” means reasonable operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

   (ii) “Training and Workshops” means the reasonable cost of: (A) training/workshop materials and rental of facilities and equipment; (B) tuition fees, travel, accommodation and *per diem* of trainers/facilitators and trainees/participants; and (C) any other expenses related to training and workshops to be carried out under the Project.

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 two years after the date of countersignature of this Agreement.
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 its Minister of Energy and Mines.

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

Ministry of Energy and Mines
Av. Las Artes Sur 260
San Borja
Lima 41, Peru Peru

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

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