Strategic Climate Fund
Forest Investment Program
Loan Agreement

(Integrated Forest Landscape Management Project in Atalaya, Ucayali -
Mejoramiento de los Servicios de Apoyo al Aprovechamiento Sostenible de la Biodiversidad de
los Ecosistemas en el Paisaje Forestal en los Distritos de Raimondi-Distrito de Sepahua-Distrito
de Tahuantins-Province of Atalaya-Region of Ucayali)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Acting as administrator of the Forest Investment Program
under the Strategic Climate Fund

Dated 14 FEBRERO , 201
STRATEGIC CLIMATE FUND LOAN AGREEMENT

AGREEMENT dated 14 FEBRURO, 2019, entered into between the REPUBLIC OF PERU ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of the Forest Investment Program under the Strategic Climate Fund.

The Borrower and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) constitute an integral part of 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 the Appendix to this Agreement.

Article II
Loan

2.01. The World Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of six million four hundred thousand United States Dollars (USD 6,400,000) ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower’s Minister of MEF or the Borrower’s Director of Indebtedness and Public Treasury (DGETP), or any person whom any of them shall designate in writing.

2.03. The Loan is funded out of the resources made available to the World Bank as an implementing entity of the SCF. In accordance with Section 3.02 of the Standard Conditions (as defined in the Appendix 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 from the SCF trust fund, and the Borrower’s right to withdraw the Loan proceeds is subject to the availability of such funds.
2.04. The Service Charge payable by the Borrower on the Withdrawn Loan Balance shall be equal to one-fourths of one percent (1/4 of 1%) per annum.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is USD.

**Article III**  
The Project

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MINAM’s PNCBMCC, in accordance with the provisions of Article II of the Standard Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower, through PNCBMCC, and the World Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article IV**  
Effectiveness; Termination

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) the SCF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled; and

(b) the Borrower, through PNCBMCC, has adopted the Operational Manual (OM) in form and substance satisfactory to the World Bank.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
Article V
Borrower’s Representative; Addresses

5.01. The Borrower’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Economy and Finance, provided that the Borrower’s Director of Indebtedness and Public Treasury, may, by him or herself represent the Borrower to sign amendments and/or notices to this Agreement which are considered of an administrative and non-financial nature. The signing by such Director of an amendment and/or notice shall constitute a representation by the Borrower that any such amendment and/or notice is considered to be administrative and non-financial in nature.

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

Ministry of Economy and Finance
Jr. Junín 319
Lima, Peru

Facsimile: +51 (1) 626-9921

5.03. 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: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at LIMA, PERU, as of the day and year first above written.

REPUBLIC OF PERU

By [Signature]
Authorized Representative

Name: CARLOS OLIVA NEYRA
Title: MINISTRO DE ECONOMIA

Y FINANZAS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Acting as administrator of the Forest Investment Fund under the Strategic Climate Fund

By [Signature]
Authorized Representative

Name: ALBERTO RODRÍGUEZ
Title: COUNTRY DIRECTOR
SCHEDULE 1
Project Description

The objective of the Project is to strengthen sustainable management and use of forest landscapes in the Raimondi, Sepahua and Tahuania districts of the Borrower’s Atalaya province.

The Project consists of the following parts:

Part 1. Institutional Strengthening for Forest Conservation

1.1 Provision of land use rights in forest landscapes and promoting community-level land-use planning

(a) Provision of technical and legal assistance support to Indigenous Peoples of Native Communities located in the Raimondi, Sepahua and Tahuania districts, for recognition, demarcation, and titling, before SUNARP, and expansion of territories.

(b) Provision of support to responsible national and local agencies and organizations for demarcation and georeferencing processes, of Native Communities with land title.

1.2 Strengthening enabling conditions for forest management

(a) Provision of support to relevant forestry and environmental authorities to foster reduced forest-related illegal activities and ensure compliance with sustainable forest management practices, through, inter alia, strengthening information management and monitoring systems, increasing institutional transparency and accountability across relevant institutions, and building the skills base and capacity of forest stakeholders around sustainability principle.

(b) Provision of support to strengthen the planning, operation, and oversight of forest landscapes by Monitoring and Oversight Committees.

(c) Provision of support to develop a common vision within the Native Communities for forest landscape management through the design and implementation of Native Communities’ life plans.

Part 2. Strengthening sustainable forest landscape management and use

2.1 Strengthening technical and business capacities of forest communities and small producers to better manage forests

Provision of support to Native Communities and small producers to: (a) develop
Business Plans for timber and non-timber forest management activities, agroforestry, ecotourism, among others; (b) implement Business Plans, including strengthening their organizational, administrative, and commercial capacities to implement Business Plans; (c) organize and develop forest enterprises and community associations; (d) facilitate access to markets for their products and create alliances with the private sector to improve profitability of investments; and (e) disseminate and exchange knowledge of successful tools and experiences.

2.2 Investing in forest landscapes

Provision of financing to Beneficiaries for the implementation of the Business Plans including, *inter alia*: (a) technical assistance in managerial, commercial, and technical capacities; (b) training in implementation of technological packages and marketing; (c) provision of equipment and goods; and (d) carrying out of minor works.

Part 3. Project Management, Monitoring, and Evaluation

Provision of support to the PNCBMCC for carrying out management and supervision functions for Parts 1 and 2 of the Project including procurement, financial management, coordination, reporting, monitoring and evaluation activities.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Borrower shall:
   
   (a) maintain throughout the period of Project implementation, a Project Management Team (PMT) within PNCBMCC, responsible for project coordination, management and administration (including financial management, procurement, monitoring, evaluation, and reporting), composed of qualified experts in adequate numbers with terms of reference, qualifications and powers acceptable to the World Bank as further described in the OM;
   
   (b) (i) prepare and exchange views with the World Bank on each proposed Project Annual Program (POA); (ii) submit it to the Project Oversight Committee for approval no later than June 30 in each calendar year during Project implementation; and (iii) once approved by the Project Oversight Committee, furnish a copy to the World Bank; and
   
   (c) carry out the activities included in the POA as shall have been agreed between the Borrower, through PNCBMCC, and the World Bank, and as approved by the Project Oversight Committee. Notwithstanding the foregoing, the POA might be amended from time to time to include new activities with the prior and written concurrence of the World Bank.

2. The Borrower shall:
   
   (a) within 90 days after Effective Date, the Borrower, through PNCBMCC, shall hire a financial management specialist, in form and substance satisfactory to the World Bank;
   
   (b) within 90 days after Effective Date, the Borrower, through PNCBMCC, shall hire a procurement specialist, in form and substance satisfactory to the World Bank;
   
   (c) carry out the Project in accordance with a manual (Operational Manual) satisfactory to the Bank, which shall include, inter alia: (i) the Project’s overall operating, fiduciary, and decision-making procedures; (ii) the terms of reference, functions and responsibilities for the members or the PMT in charge of Project implementation and management; (iii)
procedures for procurement of goods, works, non-consulting services, consultants’ services, Operating Costs, and Training, as well as for financial management and internal and external audits under the Project; (iv) performance indicators to be used in the monitoring and evaluation of the Project; (v) the customized statements of expenditures, the interim financial reports, and Project reports; (vi) the model Implementation Agreement; (vii) the criteria and guidelines for the selection of the Business Plans and Beneficiaries; and (viii) the ESMF. In the event that any provision of the Project Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail;

(d) enter into an agreement with the relevant Beneficiary (“Implementation Agreement”) for the implementation of any Business Plan under Part 2.2 of the Project, under terms and conditions approved by the Bank and included in the OM; and

(e) exercise its rights and carry out its obligations under each Implementation Agreement in such manner as to protect the interests of the Borrower and the World Bank and to accomplish the purposes of the Loan. Except as the World Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce any Implementation Agreement or any provision thereof.

B. Anti-Corruption

The Borrower, through PNCBMCC, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

The Borrower, through PNCBMCC, shall: (a) carry out the Project in accordance with the ESMF; (b) comply with the procedures detailed in said ESMF for environmental screening, evaluation, implementation and monitoring, including the procedures for the preparation of environmental and/or social management plans, and pest management plans, if applicable; and (c) if applicable, implement and/or cause to be implemented, the pertinent environmental and social management plan, in accordance with its terms and in a manner acceptable to the World Bank.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports; Completion Report

1.  The Borrower, through PNCBMCC, 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 set forth below in the OM. Each Project Report shall cover the period of one calendar year, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Borrower, through PNCBMCC, 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 (6) months after the Closing Date.

B.  Financial Management; Financial Reports; Audits

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

2. The Borrower, through PNCBMCC, 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.

3. The Borrower, through PNCBMCC, shall have its Financial Statements for the Project 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 Borrower or any other period agreed with 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

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower, through PNCBMCC, may withdraw the proceeds of the Loan in accordance with the provisions of Article III of the Standard Conditions, this Section and such additional instructions as the World Bank may specify by notice to the Borrower (including the “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 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 Loan (“Category”), the allocations of the amounts of the Loan 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 Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services and consulting services under Part 2.1 of the Project</td>
<td>900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, minor works, non-consulting services, consulting services and Training for Business Plans under Part 2.2. of the Project</td>
<td>5,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,400,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is August 31, 2024.
Section V. Other Undertakings

1. By June 30, 2021, or such other date as the World Bank shall agree upon, the Borrower shall: (i) carry out, jointly with the Project Oversight Committee and the World Bank, a mid-term review of the implementation of the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the World Bank.
**SCHEDULE 3**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Loan repayable (expressed as a percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2029 to and including November 15, 2038</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2039 to and including November 15, 2058</td>
<td>2%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions


2. “Beneficiaries” means: (i) Indigenous Peoples and Native Communities; and/or (ii) small forest users, including producers, producer associations and small enterprises, which shall be eligible to carry out Business Plans within the districts of Tahuania, Sepahua and Raimondi in the Atalaya Province.

3. “Business Plans” means any eligible investment plan promoting sustainable forest management, including, *inter alia*, investments in agroforestry, ecotourism, timber and non-timber products, or any other eligible investment as defined in the Operational Manual, approved by the Borrower and to be carried out by a Beneficiary.

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. “ESMF” or “Environmental and Social Management Framework” means the framework adopted by the Borrower and dated May 31, 2018, acceptable to the World Bank, as published and available to the public on the World Bank Operations Portal and on the website http://www.bosques.gov.pe/publicaciones, which contains the environmental protection measures in respect of the Project, including, *inter alia*: (a) measures for chance findings of cultural property; (b) measures for protection of natural habitats; (c) guidelines for the adoption of pest management measures in all applicable activities, and the preparation of pest management plans, when applicable; (d) guidelines for community forest management and permitting process; (e) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (f) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (g) the recommendation of mitigation measures for each negative impact identified; and (h) measures for enhancing each identified positive impact, as said framework may be amended from time to time with the prior written approval of the World Bank.

6. “FIP Design Document” is the design document for the Forest Investment Program, approved by the Strategic Climate Fund Trust Fund Committee and
issued on July 7, 2009, and as said design may be amended from time to time in accordance with its terms.

7. “Forest Investment Program” or “FIP” means the program established under the Strategic Climate Fund in accordance with the Governance Framework for the Strategic Climate Fund for the purposes set forth in the FIP Design Document.

8. “Implementation Agreement” means each agreement to be entered into between the Borrower and a Beneficiary for carrying out a Business Plan, as specified in Section I.A.2(d) of Schedule 2 to this Agreement.

9. “Indigenous Peoples” or “IP” means a distinct, vulnerable, social and cultural group possessing the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language, often different from the official language of the country or region.

10. “MINAM” means Ministerio del Ambiente, the Borrower’s Ministry of the Environment, or any successor acceptable to the World Bank.

11. “Monitoring and Oversight Committees” means Comités de Vigilancia y Monitoreo, local Beneficiary committees responsible for oversight and surveillance, in coordination with corresponding environmental and forestry authorities.

12. “Native Communities” means communities who originate from the Borrower’s tribal groups of Selva and Ceja de Selva and are constituted by family groups associated with the following primary elements: language or dialect, cultural and social characteristics, possession and common and permanent usufruct of the same territory, with nuclear or dispersed settlement, pursuant to Article 8 of the Borrower’s Law No. 22175.

13. “Operating Costs” means the reasonable incremental operating costs (which would not have been incurred in the absence of the Project), as said costs are approved each year through the Project Annual Program, and related to Project technical and administrative management, monitoring and supervision required under the Project, including inter alia, technical and operational support staff, office equipment, supplies, travel costs (including accommodations, transportation costs and per diem), printing services, communication costs, utilities, maintenance of office equipment and facilities and logistics services.
14. "Operational Manual" or "OM" means the Borrower’s manual referred to in Section I.A.2(c) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the World Bank.

15. "PMT" means the Project Management Team within PNCBMCC referred to in Section I.A.1(a) of Schedule 2 to this Agreement.

16. "PNCBMCC" means Programa Nacional de Conservación de Bosques para la Mitigación del Cambio Climático, MINAM’s National Program for Forest Conservation for Climate Change Mitigation, created by the Borrower’s Decree (Decreto Supremo) No. 008-2010-MINAM.

17. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated October 16, 2018 and 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.


19. "Project Annual Program" or "POA" means the program of activities proposed for inclusion in the Project during the following calendar year, including: (a) a detailed timetable for the sequencing and implementation of said activities; (b) the types of expenditures required for such activities; and (c) the planned procurement methods for the expenditures, prepared by the Borrower during Project implementation and approved by the Project Oversight Committee and the World Bank.

20. "Project Oversight Committee" means a management committee (Grupo de Trabajo denominado Comité Directivo) for the Project, which serves as the Project’s main oversight body that approves annual implementation plans and reviews Project progress, comprised of representatives of the MINAM, Ministry of Economy and Finance (MEF), Ministry of Agriculture and Irrigation (MINAGRI), the Ministry of Culture, and Regional Government of Ucayali.

21. "SCF Grant Agreement" means the agreement between the Borrower and the World Bank for the Project, of the same date as this Agreement, as such agreement may be amended from time to time. "SCF Grant Agreement" includes all appendices, schedules and agreements supplemental to the Grant Agreement.


23. "SUNARP" means Superintendencia Nacional de los Registros Públicos, the Borrower’s national public registry office, or any successor acceptable to the World Bank.
24. "Training" means the training of persons involved in Project-supported activities, based on the Project Annual Program approved by the World Bank, such term including scholarships, seminars, workshops, and study tours, and costs associated with such activity, including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.