

World Bank

NATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
NATIONAL DEVELOPMENT ASSOCIATION

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May 21, 2001

Mr. Dennis del Castillo Torres
President
Instituto de Investigaciones de la Amazonia Peruana - IIAP
Av. Abelardo Quiñonez Km. 2.5, Iquitos
Loreto, Peru

Dear Sir:

Re: Grant for Biodiversity Conservation and Community
Natural Resource Management Project in the Nanay
River Basin GEF-MSP Grant No. TF 028672

I am writing on behalf of the International Bank for Reconstruction and Development (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) to indicate the Bank's agreement to make to *Instituto de Investigaciones de la Amazonia Peruana* - IIAPP (the Recipient) for the benefit of Republic of Peru (the Country) a grant in an amount not exceeding seven hundred forty-eight thousand three hundred and five United States Dollars (US\$748,305) (the Grant).

The grant is made, under the terms and conditions set forth or referred to in the Annex to this Letter-Agreement (the Annex), in response to (a) the Recipient's request for financial assistance to the project for the Biodiversity Conservation and Community Natural Resource Management Project in the Nanay River Basin (the Project), the objectives and description of which are set forth in the Medium Size Project Brief dated March 22, 2001 for the Project (the MS Project Brief) and (b) the confirmation of *Consejo Nacional del Ambiente* (CONAM), through the letters, dated March 23, 1998 and August 29, 2000, to the Bank, of its support to the objectives of the Project and its endorsement that the Recipient receive the Grant.

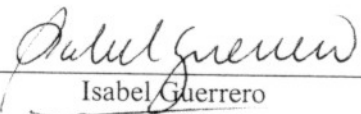
The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant for the purposes of the Project and on the terms and conditions set forth or referred to in the Annex.

RCA 248423. WUI 64145 FAX (202) 477-6391

Please confirm your agreement to the above, on behalf of the Recipient, by signing, dating and returning to us the enclosed copy of this Letter-Agreement. Upon receipt by the Bank of the copy of this Letter-Agreement countersigned by you, this Letter-Agreement will become effective as of the date of its countersignature.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 
Isabel Guerrero
Country Director
Bolivia, Ecuador and Peru

AGREED:

INSTITUTO DE INVESTIGACIONES DE LA AMAZONIA PERUANA - IIAP

By 
Authorized Representative
Name: Dennis del Castillo Torres
Title: President
Date: Jan 04, 2001

ANNEX

Terms and Conditions of the Grant

1. Execution of the Project

1.1. The Recipient will: (a) carry out the Project with due diligence and efficiency and in accordance with the provisions of the MS Project Brief; (b) promptly provide the funds, facilities, services and other resources required for the purpose; (c) furnish all information on the Project and the use of the proceeds of the Grant as the Bank may reasonably request; and (d) from time to time exchange views with the Bank's representatives on the progress and results of the Project.

1.2. The Recipient will ensure that: (a) all goods and services financed out of the proceeds of the Grant will be used exclusively for the purposes of the Project; and (b) any facilities relevant to the Project are at all times operated and maintained in accordance with appropriate practices and that any repairs or renewals of these facilities are promptly made as needed.

1.3. The Bank may conduct periodic evaluations of the Project. To this end, the Recipient will, upon the Bank's request, enable the representatives of the Bank to visit the sites and facilities, and inspect the goods, documents and financial records, related to the Project.

1.4. The Recipient will prepare and furnish to the Bank not later than six (6) months after the completion of the Project an evaluation report, in form and substance acceptable to the Bank, on the results and impact of the Project.

1.5. Goods and consultants' services will be procured in accordance with the procedures set forth in Attachment 3 (Procurement) to the MS Project Brief.

1.6. The Recipient will ensure that: (a) all imported goods to be financed out of the proceeds of the Grant are insured against hazards incident to their acquisition, transportation and delivery to the place of use or installation; and (b) any indemnity for this insurance is payable in a freely usable currency to replace or repair these goods.

2. Withdrawal of Grant Proceeds

2.1. The amount of the Grant will be credited to an account opened by the Bank on its books in the name of the Recipient (the Grant Account). The Recipient may withdraw the amount of the Grant from the Grant Account, in accordance with the provisions of this Letter-Agreement, for expenditures in respect of the reasonable cost of goods and services required for the Project, as specified in the MS Project Brief (the Eligible Expenditures).

2.2 Notwithstanding the provisions of paragraph 2.1 above, no withdrawal of funds from the Grant Account will be made:

(a) for payments made prior to the effective date of this Letter-Agreement, except that withdrawals not exceeding in the aggregate an amount equivalent to 10% of the amount of the Grant may be made for payments made for Eligible Expenditures prior to such date, but after February 1, 2001;

(b) on account of payments for any taxes on the importation of goods;

(c) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in or services supplied from these territories;

(d) for the purpose of any payment to persons or entities, or for any import of goods, if this payment or import, to the Bank's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; or

(e) after June 30, 2004 or such later date as the Bank establishes by written notice to the Recipient (the Closing Date).

2.3. Prior to furnishing to the Bank any request for withdrawal of funds from the Grant Account, the Recipient will open a special deposit account (the Special Account) in a currency and in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment.

2.4. In order to request withdrawal of funds from the Grant Account, the Recipient will furnish to the Bank an application for withdrawal of the amount desired, in a format satisfactory to the Bank, signed on behalf of the Recipient by the President or any other person authorized by him or her in writing for such purpose, together, in the case of the first such application, with an authenticated specimen signature(s) of the designated person(s). Each such application, other than that for the first withdrawal of funds, will include: (a) a detailed narrative report setting out the status of Project execution and the progress in attaining its objectives; (b) a detailed report on the Project expenditures incurred during the period between the last withdrawal of Grant funds and the date of the withdrawal application in question, such report to be supported by a detailed statement of expenditures; and (c) a forecast of the Grant funds needed for the period to be covered by such withdrawal application.

2.5 The Bank will deposit the Grant amount in the Special Account, in accordance with the provisions of Attachment 2 (Financial Reporting and Project Expenditures) to the MS Project Brief. Any interest paid on the amounts deposited in the Special Account will be used exclusively for the payment of Eligible Expenditures.

2.6 The Recipient will exercise the same care in the administration of the Grant funds as it exercises in the administration of its own funds, having due regard to economy and efficiency.

2.7. If the Bank determines at any time that any payment out of the Special Account was made for an expenditure not eligible pursuant to this Letter-Agreement, or was not justified by the evidence furnished to the Bank, the Recipient will, promptly upon notice from the Bank, refund to the Bank an amount equal to the amount of such payment or the portion thereof not so eligible or justified.

2.8. The Bank may at any time, by notice to the Recipient:

(a) suspend further withdrawals from the Grant Account if the Recipient fails to comply with any of its obligations specified in this Letter-Agreement. If the Recipient does not remedy the situation within 30 days from the date of the Bank's notice, the Recipient will promptly refund to the Bank any amount of the Grant in the Special Account and any interest accrued thereon, which has not been utilized by the time of such notice; and

(b) cancel any amount of the Grant remaining unwithdrawn in the Grant Account: (i) at any time after withdrawals from the Grant Account have been suspended pursuant to the provisions of subparagraph (a) above; and (ii) after the Closing Date.

3. Records, Audits and Reports

3.1. The Recipient will keep records adequate to identify the goods and services financed out of the proceeds of the Grant and to disclose their use in the Project. The Bank will have the right to inspect such records at any time.

3.2. The Recipient will, within six months of the end of each fiscal year in which Grant funds are expended, provide the Bank with a detailed statement of the Special Account, together with the opinion of its external auditors on such statement. The report and auditor's opinion for the final period in which Grant funds are expended will be provided at the time when the results of the immediate next established institutional audit are available.

4. Disclosure of Information

4.1. The Bank may include basic information about the Project and the Grant in periodic reports it makes available to the GEF Council and the public at large. The MS Project Brief will, after the effectiveness of this Letter-Agreement, be made available to the public through the Bank's InfoShop and other means of dissemination of information.

5. Settlement of Disputes

5.1. Any dispute arising out of or relating to this Letter-Agreement, which is not settled by agreement of the parties hereto, will be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. The number of arbitrators will be three. The place of arbitration will be Washington, D.C., U.S.A. In the event of a conflict between the UNCITRAL Arbitration rules and the terms of this Letter-Agreement, the terms of this Letter-Agreement will govern.

David F. Varela

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