Her Excellency
Ismael Benavides Ferreyros
Minister of Economy and Finance
Ministry of Economy and Finance
Jirón Junín 319
Lima, Peru

Re: Peru: IDF Grant for National Results Based Monitoring, Evaluation and Information Project
IDF Grant No. TF096843

Excellency:

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”) proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed three hundred eleven thousand three hundred fifty United States Dollars (U.S.$311,350) (“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”).

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.
Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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 p.p. Jean-Jacques Verdeaux
C. Felipe Jaramillo
Director
Bolivia, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF PERU

By: /s/ Ismael Benavides Ferreyros
    Authorized Representative

Title: Minister of Economy and Finance

Date: October 1, 2010

Enclosures:


(2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I

Standard Conditions; Definitions


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.

Article II

Project Execution

2.01. Project Objectives and Description. The objective of the Project is to provide support to develop processes and mechanisms for continuous and systematic evaluation and improvement of antipoverty interventions by: (i) strengthening the existing institutional framework to facilitate the systematic use of existing information systems and analyses of the effectiveness of antipoverty interventions in Peru; (ii) providing technical assistance and enhancing local capacity for the design and evaluation of specific programs; and (iii) supporting initial pilots in selected regions and programs to validate the use of the mechanism for systemic evaluation which will later be extended nation-wide to all social programs in all regions.

The Project consists of the following parts:

Establishment and testing of national results-based monitoring, evaluation and information system, through:

(a) the development of a strategic action plan including the carrying out of workshops with the support of international and national experts to develop, maintain, utilize and sustain the Recipient’s national evaluation system;

(b) the design of a policy and program evaluation system, including: (i) the review of best practices of international experience, including study tours; (ii) the design of a system for evaluation of social policy and programs; and (iii) the design and initial implementation of a training program;

(c) the testing of the evaluation information system, including: (i) testing the system; (ii) carrying out evaluation fieldwork; and (iii) providing analytical advice on the analysis and preliminary evaluation results;

(d) the improvement of transparency and sustainability of the Recipient’s evaluation system, including: (i) carrying out of training in the production of annual reports on evaluation results; and (ii) carrying out of awareness raising training and events; and
(e) the carrying out of financial audits for the Grant.

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 through the General Office of Administration (OGA) of its Ministerial Council (Presidencia del Consejo de Ministros – PCM), with the support of: (i) its Technical Secretariat of the Inter-sectoral Commission of Social Issues (ST-CIAS); (ii) the Ministry of Finance (MEF); and (iii) the National Statistical Institute (INEI), all 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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. **Institutional and Other Arrangements.** The Recipient shall cause OGA, ST-CIAS, MEF and INEI to enter into an agreement (the Inter-Institutional Agreement), in form and substance satisfactory to the Bank, detailing, *inter alia*: (i) ST-CIAS’ responsibility to facilitate the implementation of the Project activities at the national and sub national level; (ii) MEF’s responsibility to oversee the policy aspects of the Activities; (iii) INEI’s responsibility for data collection and analysis and for the activity described in paragraph (c) of Section 2.01 above; and (iv) OGA’s responsibility to execute the Project.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, 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 paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

<table>
<thead>
<tr>
<th>1. INDICATOR</th>
<th>Number of social programs evaluated using the new system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Value:</td>
<td>zero</td>
</tr>
<tr>
<td>Date:</td>
<td>02/02/2009</td>
</tr>
<tr>
<td>Target:</td>
<td>Two social programs evaluated using the new system</td>
</tr>
<tr>
<td>Date:</td>
<td>02/01/2012</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. INDICATOR</th>
<th>First annual report on evaluations produced and put online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Value:</td>
<td>Zero</td>
</tr>
<tr>
<td>Date:</td>
<td>02/02/2009</td>
</tr>
<tr>
<td>Target:</td>
<td>Annual report on evaluations of social programs</td>
</tr>
<tr>
<td>Date:</td>
<td>02/01/2012</td>
</tr>
</tbody>
</table>

<p>| 3. INDICATOR | Number of ministries assessed to be using evaluation system to inform policy makers in decision making |</p>
<table>
<thead>
<tr>
<th>Base Value:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero</td>
<td>02/02/2009</td>
</tr>
</tbody>
</table>
(c) The Recipient shall, upon the World Bank’s request, 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.

2.05. **Financial Management.** (a) The Recipient, through the OGA of the PCM, 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 the OGA of the PCM, 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, through the OGA of the PCM, 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 five months after the end of such period.

2.06. **Procurement**

(a) **General.** All 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:

(i) Section I (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services.

(b) **Definitions.** The capitalized terms used in the following paragraphs of 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods.** Goods shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of 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 the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: the first contract to be awarded in accordance with each procurement method. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. *Eligible Expenditures.* 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 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</td>
<td>22,250</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services, including audits</td>
<td>257,100</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>32,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>311,350</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term “Training” means the non-consultant expenditures incurred by the Recipient’s ST-CIAS, MEF and INEI, in connection with training activities and workshops under the Project, including the rental of facilities, refreshments and training materials.
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 three years after the date of countersignature of this Agreement by the Recipient.

**Article IV**

**Additional Remedies**

4.01. **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, that ST-CIAS, MEF or INEO fail to comply with the provisions of the Inter-Institutional Agreement.

**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 the Director of the General Office of Administration of the Ministerial Council (OGA of the PCM).

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

Ministerial Council  
Directorate of the General Office of Administration  
Jr. Carabaya Cdra. 1 S/N  
Lima, Peru

Facsimile:  
51-1 219-7943

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

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

Section I. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”