AMENDMENT NO. 2
TO THE
AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF FINLAND
AND
THE GOVERNMENT OF THE REPUBLIC OF PERU
ON THE CONVERSION OF CONCESSIONARY CREDITS

INTO NATURE AND SOCIAL DEVELOPMENT COMMITMENTS IN PERU

The parties to the Agreement between the Government of the Republic of Finland and the Government of the Republic of Peru on the Conversion of Concessional Credits to Nature and Social Development Commitments signed on 14 March 1996 (hereafter THE AGREEMENT), as amended by THE AGREEMENT dated on 15 August 2000, agree to continue the co-operation in the spirit of THE AGREEMENT supporting the sustainable use of the natural resources of Peru for the benefit of the population and enhancing the income generating activities of the local people in order to enhance the social development, reduce the poverty and promote the sustainable development in Peru.

Therefore the parties hereby agree to amend THE AGREEMENT with eight additional Articles

ARTICLE I
Amendments

The signatory Governments hereby agree to amend the following parts of THE AGREEMENT:

1. Article IV, Paragraph Number 2. Instead of the Machu Picchu Sanctuary the available financial resources derived from THE AGREEMENT after the conclusion of the Programme of Integrated Management of the Machu Picchu Historic Sanctuary shall be used to the target areas as described in Article II of this Amendment.

2. Article IV, Paragraph Number 9. Program's capital established in THE AGREEMENT will from now on be called Portfolio A and will be a sinking fund. The trust fund established in THE AGREEMENT will become an endowment fund, called Portfolio B. Conditions for the use of both portfolios are more precisely described in Article III.
3. The signatory Governments hereby agree that all procurements shall be made in accordance with generally accepted principles and good procurement practices as described more precisely in Article IV of this Amendment.

ARTICLE II
Financing

1. The funds shall be used within the Peruvian System of Protected Areas, in accordance to the decisions of the Supervisory Board, to the following projects and target areas which together form THE PROGRAMME (Annex 1A, 1B and 1 C):

- Noroeste Biosphere Reserve (Annex 1 A)
- Nanay-Pucacuro Biological Corridor, including the Pucacuro Reserve Zone (Annex 1 B)
- Gran Ruta Inka (Annex 1 C)

The Supervisory Board shall, annually, define the work plan and authorize the project activities.

2. By this amendment no additional funds will be provided by the Finnish contribution or the Peruvian government.

3. The Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) will be in charge of THE PROGRAMME resources management and will allocate 5.28 % of the annual budget for the administration of the funds.

ARTICLE III
Portfolios

The resources available from THE AGREEMENT included in this Amendment and which to date are under the responsibility of PROFONANPE, include the following

a) Portfolio A: will be a *sinking fund* and will be established of the balance left of the original amount agreed to be spent in the Program of Integrated Management of the Machu Picchu Historic Sanctuary (PMP). The annual financial returns to be produced from Portfolio A until its expiration will be transferred to THE PROGRAMME.

The funds of Portfolio A will be used in financing project activities in protected areas within a period of five years after the entry into force of this amendment. At the end of the fifth year, all remaining funds in Portfolio A will be transferred to Portfolio B.
The non-executed amount in Portfolio A as of December 31, 2005, is US$ 1,604,687 (one million, six hundred and four thousands, six hundred and eighty seven dollars of the United States).

The objective is that these funds will be used during the period of five years.

b) Portfolio B: will be an intangible endowment fund. This fund will be established with the funds accumulated so far in the trust fund established in Article IV, paragraph 9 of THE AGREEMENT.

The current value of Portfolio B as of December 31, 2005 is US$ 2,801,554 (two million, eight hundred and one thousands, five hundred and fifty-four dollars of the United States). By this amendment this capital shall remain intangible. PROFONANPE will be responsible for the compliance of this mandate.

The annual financial returns of this portfolio and any other income over the intangible capital will be used to finance THE PROGRAMME activities in protected areas determined in Article II, according to annual work plans approved by the Supervisory Board. The Board of Directors of PROFONANPE will approve the annual work plans after the expiration of the Supervisory Board.

ARTICLE IV
Procurements

1. No offer, gift, payment or benefit of any kind, which would or could be construed as an illegal or corrupt practice, shall be accepted, either directly or indirectly, as an inducement or reward for the award or execution of procurement contracts.

2. All procurements shall be made in accordance with generally accepted principles and good procurement practices. Invitations to tender as well as procurement contracts shall, respectively, include a clause on the possibility of the tender being rejected and the contract being cancelled, in case any illegal or corrupt practices have been connected with the award or execution of the contract. Furthermore, the damage or loss caused to the buyer shall, in case of the cancellation of the contract, be compensated by the supplier.
ARTICLE V
Competent Authorities

PROFONANPE and INRENA will sign an agreement detailing the arrangements for the execution of THE PROGRAMME.

PROFONANPE will present to the Supervisory Board, for its comments and approval, the work plan for next year's project activities (including the budget) in December of each year, as well as a progress report (including the report of expenses) of the former year. The Supervisory Board will render its decision on the work plan to PROFONANPE within a month after receiving them. At the end of the fifth year PROFONANPE will present to the Finnish Ministry for Foreign Affairs and the Peruvian Ministry of Economy and Finance a final report of activities and expenses.

PROFONANPE will be in charge of the management of the resources subject to this Amendment under the supervision of a Supervisory Board of THE PROGRAMME, composed by a representative of the Ministry for Foreign Affairs of Finland and a representative of the Ministry of Economy and Finances of Peru. The Supervisory Board will discuss the planned PROGRAMME activities, prepared and presented by PROFONANPE, and authorize their implementation. The Supervisory Board will operate during a period of five years after the entry into force of this Amendment. After that period, the Board of Directors of PROFONANPE will take charge for the supervision of Portfolio B operations.

INRENA, the National Natural Resources Institute of Peru, will be responsible for the implementation of THE PROGRAMME activities, whether directly or through organisations or institutions, under the supervision of the Project's Supervisory Board. THE PROGRAMME will comply with the Peruvian laws and regulations, particularly the Protected Natural Areas Law.

ARTICLE VI
Financial management

Portfolios A and B will both be governed by the policies and procedures currently implemented in PROFONANPE’s overall portfolio. Those policies and procedures are approved by PROFONANPE’S Board of Directors.
ARTICLE VII
Special Provisions

During the execution period of THE PROGRAMME PROFONANPE will also provide for the Finnish Ministry for Foreign Affairs and the Peruvian Ministry of Economy and Finance, a copy of its annual audit report, precedingly presented to and approved by the Supervisory Board with regard to the use and management of the funds of portfolios A and B. The competent authorities of Finland have the right to audit the accounts of PROFONANPE, a copy of this audit report shall be provided to the Peruvian Ministry of Economy and Finance.

After the expiration of the Supervisory Board, all plans and reports will be approved by the Board of Directors of PROFONANPE.

Five years after the entry into force of this Amendment, the competent authorities of Finland will send a final evaluation mission to carry out an Implementation Completion Report to THE PROGRAMME. By this means, the Finnish Government will be freed of any responsibility to supervise the use of the funds and will delegate it to the Board of Directors of PROFONANPE. From then on the funds shall be used only for the conservation activities within the Peruvian System of Protected Areas.

The financial resources of the portfolios shall not be used as collateral under any circumstances for a loan or any other benefit or purpose without the prior approval of the competent Finnish authorities.

ARTICLE VIII
Other provisions

All other AGREEMENT provisions remain in full force and effect, provided they have not been modified nor contradict this Amendment.
ARTICLE IX
Entry Into Force

This Amendment shall enter into force 30 days after its signature.

Done in Lima on ___/___ 2006 in two originals in the English language.

FOR THE GOVERNMENT OF
THE REPUBLIC OF FINLAND

Paula Lehtomäki
Minister for Foreign
Trade and Development
of Finland

FOR THE GOVERNMENT OF THE
REPUBLIC OF PERU

Fernando Zavala Lombardi
Peruvian Minister of Economy and Finance
ANNEX 1

The Programme
ANNEX 1A

The Programme use of funds in the *Noroeste Biosphere Reserve*
The Programme use of funds in the Noroeste Biosphere Reserve

I – The Noroeste Biosphere Reserve

General Description
The Noroeste Biosphere Reserve is located on the northern coast of Peru in the Tumbes and Piura departments. The area covers part of the Ecuadorian dry forest in the tropical Pacific forest with high biodiversity in flora and fauna. The reserve also includes the Cerros de Amotape National Park, the El Angolo Hunting Ground and the Tumbes Reserved Zone. Its relief is very varied, and it is covered by formations of matorral, very dry forest, dry and tropical submontane forest, with Prosopis juliflora, Bombax sp., Tillandsia sp., and Tumbes mangroves. It also contains endangered fauna species as Crocodylus acutus, iguanas (Iguana iguana), birds as the Vultur gryphus, Sarcoramphus papa, and Burhinus superciluaris, and mammals as Odocoileus virginianus, Tayassu tajacu, and Felis concolor. Over 480 inhabitants live in the Biosphere Reserve, engaged in agriculture, cattle raising and tourism mainly in the buffer zones, which generates the principal income and benefits to local communities. In 1997, some 1,200 tourists visited the area. However, very little income is generated through natural tourism (guiding, handicrafts, hotel and restaurant). Some of the principal problems in the area are extensive cattle raising, timbering and illegal hunting. The main goal of the Biosphere Reserve is to protect ecosystems and important endangered forest fauna and flora species. Environmental education efforts have been supported as well as conservation and research on natural resources.

Major ecosystem type
Tropical dry or deciduous forests

Major habitats & land cover types
Mountainous tropical forest with Prosopis sp., Cordia lutea, Acacia macracantha, Caesalpinia paipai etc.; tropical very dry forest including species such as Tillandsia usneoides, Ceiba sp., Bombax discolor, Bursera graveolens etc.; pre-mountainous tropical forest characterized by Tabebuia chrysantha, T. billbergii, Ceiba sp. etc.; tropical dry forest dominated by Triplaris peruviana and Ochroma sp.; agroecosystems; pasture land

1 UNESCO - MAB Biosphere Reserves Directory: http://www2.unesco.org/mab/br/brdir/directory
Location
03°24’ to 04°53’S; 80°09' to 81°19’W

Area (hectares)
Total
231,402
Core area(s)
91,300
Buffer zone(s)
140,102

Altitude (meters above sea level)
+60 to +1,640

Year designated
1977

Research & Monitoring
- Monitoring of water resources
- Evaluation of archaeological and tourist potential
- Work with the community from buffer zone (environment education)
- Projects on management of natural resources
- Monitoring of flora and fauna

II – Strategy for the use of funds

The Programme Supervisory Board will approve an annual work plan for the use of funds in the Noroeste Biosphere Reserve mainly oriented to:

- involving local actors, including the local population, in managing the protected areas
- defeating poverty through the sustainable use of renewable natural resources
- providing the local populations with PA-based technical assistance for resource use
- contributing to bi-national Peru-Ecuador integration
- fostering the tourist industry in PA, for the direct benefit of the local communities.
If these goals are accomplished, the minimum conditions would be laid down for the conservation and sustainable and efficient use of the PAs' biological diversity and natural resources in the Biosphere Reserve.

In this case, efforts will aim at promoting the establishment of new sub-national conservation areas to be implemented by regional and local governments. This will also be a pioneering effort to design and run private conservation areas, with a preference for local community management.

III. Map: Noroeste Biosphere Reserve
ANNEX 1B

Sustainable development in the local communities and conservation of the biological diversity in the Nanay-Pucacuro Biological Corridor (western Peruvian Amazon)
Sustainable development in the local communities and conservation of the biological diversity in the Nanay-Pucacuro Biological Corridor (western Peruvian Amazon)

Background and justification

The Peruvian Amazon Research Institute IIAP is impelling a long-term strategy for the conservation and sustainable use of biodiversity of the western Peruvian Amazon by presenting a proposal to establish a biological corridor in the Nanay-Pucacuro region. The corridor would introduce a network of areas with different levels of protection (protected forests areas, communal forestry areas and reserves of restricted communal use). The proposed Nanay-Pucacuro Biological Corridor is situated between the Allpahuayo-Mishana National Reserve (close to the city of Iquitos) and the Peruvian-Ecuadorean border. The establishment of a Biological Corridor would help to secure long-term usufruct rights of the indigenous and riparian communities of the biologically unique Nanay-Pucacuro region.

The build-up of the Corridor would strengthen the newly established (31 May, 2004) Pucacuro Reserved Zone and would favor biodiversity conservation by presenting a continous biological corridor linking the transborder Ecuadorean Yasuni National Park to the wider Amazonian PA system.

The proposed project seeks to establish sustainable methods for the use of biological diversity and forest resources in the Corridor area, including methodologies of integrated river basin management and the Ecosystem Approach, both of which are thematic areas under the Convention on Biological Diversity.

The Corridor, would have an area of 2 millions ha. that would include the richest sites on Earth in terms of species numbers and biodiversity. In Allpahuayo-Mishana National Reserve, the number of trees per hectare reaches up to 300 species; in the adjacent area of Yasuni, 312 species have been detected in a one-hectar plot.

At least two indigenous groups live in voluntary isolation in the Pucacuro-Arabela area. The establishment of the Biological Corridor would support the opportunity of these groups to continue with traditional livelihoods.

During 2004, first forest concessions have been established in the Loreto Region of Peru. This development brings both new opportunities and threats to the sustainability of the forests in Loreto. The Management Plan of the Biological Corridor Proposal should include development of new methodologies to promote sustainable forestry within the Biological Corridor and the surrounding areas. Furthermore, the Ecological and Economical Zoning Program (Zonificación Ecológico
Económico, ZEE), currently being extended to the Loreto Region (Department) may provide helpful in establishing sustainable, forest-based livelihoods in the area.

I. Biological diversity of the Nanay-Pucacuro Biological Corridor

The river basins of the Nanay and Pucacuro rivers are strategically located in the "Humid Forests of the Napo Ecoregion" ("Ecorregión Napo"), that includes the northern sector of Loreto and part of the Ecuadorean Eastern Amazon. The ecoregion has been identified as one of the most important global areas for the conservation of the biological diversity because of the extreme species richness and endemism (Dinerstein et al. 1995). The Corridor harbors the greatest diversity of bird species on Earth and probably also of mammals (Ridgely and Tudor 1989; Voss and Emmons 1996). Several records of global biodiversity have been identified. In addition to the Allpahuayo-Mishana and Yasuní tree species records (Gentry 1988), 140 species of reptiles (Dixon and Soini 1986) and 122 species of amphibians (Rodriguez and Duellman 1994) have been recorded in the region of Iquitos-Napo-Pucacuro, as well as 16 species of primates between the river basins of the Napo and Tigre (Aquino and Incarnation 1994). Also this ecoregion is well-known being as an important center of current speciation and endemism.

Cultural richness

The population of the Nanay river basin belong mainly to the Iquito ethnic group and the Cocama-Cocamilla, Kichwa and Bora groups although there are many descending inhabitants of other ethnic groups, like Yameos, Orejones, Omaguas, Asháninkas and Chayahuitas. The majority of the population, mainly in the low river basin of the Nanay, is ethnically mixed, but conserving several ancestral cultural characteristics and indigenous customs. In the Tigre river basin several communities of Kichwa Alama are present, as traditional users of the river basin of the Pucacuro river. In the river basin of the Arabela there few communities of the Arabela. Between Arabela and Pucacuro there is evidence of the presence of several indigenous groups in voluntary isolation, that have not had contact with the civilization, presumably belonging to the ethnic groups Huaorani or Arabela.

The IIAP has proposed, consequently, that the area in the Proposal of Biological Corridor would be excluded from the Map of the Forests of Permanent Production of Loreto, subject to concessional forestry. The INRENA has accepted to exclude the Corridor from the process of public bidding of concessions for the 2004. This decision will not exclude commercial use of forest resources or the non-timber forest products in the area, but will limit the practices to selective extraction of low impact, carried out by the local communities within their titled territories and in the communal and/or extractive reserves.
Local support to the initiative
The initiative to establish upper Nanay Reserved Area within the influence of the Corridor has originally been presented by local indigenous communities and farmers during the consultations of macrozonification of the Nanay area (Zonificación Ecológico Económico 2002). The communities of the river Pucacuro formally proposed establishment of Reserva Comunal Pucacuro, resulting into establishment of Pucacuro Reserved Area in 2004.

II. Proposed activities

- To consolidate the proposal of creation of the Biological Corridor as presented by the IIAP to the INRENA, and to integrate it in a binational strategy of conservation and sustainable development in the frontier Peru-Ecuador.

- To promote strategies of conservation and integral management of the biological diversity at the level of river basins (Nanay and Pucacuro), based on local management of the natural resources and the territory.

- To make complementary studies of the biological diversity and the socioeconomical conditions that sustain the creation of the Biological Corridor, to serve as base for the proposals of conservation and use of natural resources.

- To finalize the Ecological and Economic Zoning study in the area to identify optimal land and resource use.

- To promote sustainable silvicultural and forest management.

- Implement tools of integrated floodplain management to promote sustainable use of the aquatic resources of the floodplains.

- To support the recovery of degraded ecosystems in the low part of the both major river basins, where the impact of the human intervention has been great.

- To seek ways and means to alleviate the extreme poverty in the indigenous/riparian communities.

- To identify mechanisms to add value to the forest/non-wood forest products in the area by promoting their processing, commercialization and marketing.
- To implement participative methods to introduce management plans for the conservation areas/reserves.

- To identify long-term financial mechanisms to support the Biological Corridor.

III. Map: Nanay- Pucacuro Biological Corridor
ANNEX 1C

Learn by walking – Study of alternatives in integrated management and implementation of sustainable use on the Huancabamba – Caxas (in Piura) stretch of the Great Inca Route, and surrounding areas.
Learn by walking – Study of alternatives in integral management and implementation of sustainable use on the Huancabamba – Caxas (in Piura) stretch of the Great Inca Route, and surrounding areas.

"In times long past, the residents of the Andean region had a close relationship with similar groups in the farthest latitudes, promoting the exchange of products and culture. With the Incas, this system was perfected. The roads, like the veins of an enormous body—now sleeping—played an important role in the day-to-day life of these peoples and were the pure expression of harmonious dominion over their natural environment, then considered sacred.

Traveling the roads and making them known, including the wonders that cross and unite them, awakening them to stimulate circulation again, is the spirit of this work".

Background

1. The World Conservation Union (IUCN) project
In the year 2002, the IUCN identified the Great Inca Route, the Capaq Ñan, as an integrating axis for national efforts in a regional context, for recreating programs for the conservation of biological diversity, cultural revaluation, and the sustainable development of Andean peoples. By conserving and managing these resources, the incredible potential of the Great Inca Route could contribute to the development of ecotourism, the integration of the Andean populations, academic investigation and traditional knowledge, and the creation of intercultural spaces for exploring and sharing the values of the cosmovision, or perception of the world, of the different societies of the past and the present, that by means of this road and the management of its circuits, would be connected with their neighbours in the north and the south, reconstructing and strengthening an age-old tie as a tool and/or raw material for their development.

This initiative had its origin in the IUCN World Commission on Protected Area’s Sacred Natural Sites Project, with an initial contribution from the Ford Foundation.

2. Inca Nani Project
After four years of positive experiences working with locals in the White Mountain Chain on the development of tourism products based on cultural and natural values, the Mountain Institute found the opportunity to take this local learning to a regional scale thanks to the “Sustainable Livelihoods in Mountain Ecosystems” (USAID PVC BHR Matching Grant Program 2002-2007).
In this framework, the Mountain Institute established a cooperation agreement with a local NGO, the Instituto KUNTUR de Investigación y Desarrollo Andino (KUNTUR Institute of Investigation and Andean Development), for the recuperation of the Inca trail, known in the local dialect as Inca Nani. The Inca Nani Project was born in that way from an alliance strategy between two partner NGO’s that coincided in the concept of integrating conservation for the benefit of the local society and the strengthening of its leadership, and from the start it is fed and inspired by the local vision.

1. Possible activities

Proposal for a Pilot Project

1. Goal
To contribute to the revitalization of the Great Inca Route (GRI is its Spanish acronym), a master work from ancient times, as a resource and opportunity to catalyze the conservation and sustainable development of the high Andean corridor, which extends along a network of PA, and productive conservation.

2. Objective
To design and carry out a pilot Project that provides alternatives for the establishment, management and sustainable use of one or more protected areas in the Caxas (Piura) Stretch of the GRI Huancabamba, based on participatory work that benefits the communities and other players through the sustainable use of natural and cultural resources and agrobiodiversity, and ecotourism.

3. Specific objectives
1. To study the alternatives for managing PA.
2. To recuperate the integrating role of the GRI.
3. Develop sustainable forms of tourism.
4. To recover traditional practices and knowledge.
5. Systematization and publicity.

4. Support
1. The nearness of the Tabaconas Namballe National Sanctuary, especially the proposal for the enlargement of the PA toward the Piura zone (by WWF), which joins the trajectory of the Great Inca Route proposal.
2. A biological corridor prioritized by Finland.
3. The Páramo Project, an initiative that brings Venezuela, Colombia, Ecuador and Peru together.
4. Potential bi-national projects (Ecuador-Peru).
5. Presence of important Inca sites associated with the trail (Caxas, Huancacarpa, Jicate and Huancabamba itself).

6. The Huaringas lakes, with their magical-religious practices.

7. Request from the Municipalities in the area to work on their conservation.

8. Capacity of a group of national and local organizations willing to facilitate a process for the strengthening of local capacities and the search for potential local initiatives to improve the standard of living of the communities themselves.

9. Interest from the international scientific community in biodiversity and sustainable development processes: IUCN, UNESCO, governments, national and international NGO's.

5. Expected Results
1. To study management alternatives.
2. Integrating role of the GRI recovered.
3. Immediate alternatives for sustainable development validated by the stakeholders.
4. Data base.
5. Revaluation of ancestral practices for the conservation of natural resources and agrobiodiversity.
7. Local capacity for management, strengthened.
8. Systematization and publicity.

6. Methodology
1. Incorporation of experiences of other similar projects.
2. Participatory strategies.
3. Learning by doing.
4. Strengthening of local capacities.
5. Incorporation of the local cosmovision, or perception of the world.

7. Activities
7.1 Study of PA management alternatives.
   7.1.1 Collection and systematization of information (natural and cultural values, local initiatives and strategies for conservation).
   7.1.2 Investigative trips and the establishment of initial contacts.
   7.1.3 Workshops on socialization.
   7.1.4 Participatory diagnosis (including the analysis of threats and opportunities).
      a. Identification of sites and resources of special value for conservation.
      b. Analysis of potential for PA.
   7.1.5 Preparation and validation of the study on alternatives.

7.2 Selection of priorities for managing agrobiodiversity

7.3 Recuperate the integrating role of the GRI.
7.3.1 Participatory walk.
7.3.2 Exchange fairs.
7.3.3 Workshop for integrating GRI project.
7.3.4 Local communication.

7.4 Participatory development of sustainable forms of tourism.
7.4.1 Vision workshops.
7.4.2 Participatory construction of tourism programmes.
7.4.3 Analysis of actors, roles, and institutions.
7.4.4 Design of sustainable tourism strategy.

7.5 Recovery of traditional practices and knowledge.
7.5.1 Documentation of natural resource and agrobiodiversity management.
7.5.2 Curative practices.
7.5.3 Collection of oral tradition.

7.6 Participatory systematization, documentation, and publicity.
7.6.1 Monitoring and evaluation.
7.6.2 Workshops.
7.6.3 Preparation of documents.
7.6.4 Videos, maps, and other educational materials.
7.6.5 Preparation of a media programme.

8. Institutional arrangements
The institutional arrangements for the implementation of this pilot Project shall be approved by The Programme Supervisory Board.
II. Map: Capac Nán near Tabaconas Namballe National Sanctuary

Zona propuesta para el estudio del proyecto de la Gran Ruta Inca en Piura, de la UICN - Perú