Loan Agreement

(Enhancement of Environmental Quality Services – Mejoramiento y Ampliación de los Servicios de Calidad Ambiental, a Nivel Nacional)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated, 08 FEBRERO, 2017
LOAN AGREEMENT

Agreement dated 08 DE FEBRERO, 2017, between the REPUBLIC OF PERU (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of forty million Dollars ($40,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“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 Economy and Finance 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 Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
2.06. The Payment Dates are May 15 and November 15 in each year.

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

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower, through MINAM, declares its commitment to the objective of the Project. To this end, the Borrower, through MINAM, shall cause OEFA to carry out the Project, with the assistance of: (a) MINAM in respect of Parts 1.1 and 2 of the Project; (b) SENAMHI in respect of Parts 1.2 and 2.1 of the Project, all under the coordination of the PSC, and in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the 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 — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that OEFA shall have failed to perform any of its obligations under the OEFA Cooperation Agreement.
ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) the Operational Manual has been adopted by the Borrower, in form and substance satisfactory to the Bank;

(b) the OEFA Cooperation Agreement has been executed by the relevant parties thereto, in form and substance satisfactory to the Bank;

(c) the PCU has been created, and the Project coordinator, procurement, financial management and legal specialists referred to in Section I.A.1 (b) of Schedule 2 to this Agreement have been hired, all in form and substance satisfactory to the Bank; and

(d) The PSC has been created in form and substance satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Economy and Finance, provided that the Borrower’s Director of DGETP, 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.

6.02. The Borrower’s Address is:

Ministry of Economy and Finance
Jr. Junín 319
Lima, Peru
Facsimile: +51 (1) 626-9921

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

REPUBLIC OF PERU

By

Authorized Representative

Name ALFREDO THORNE VETTER
Title MINISTRO DE ECONOMÍA y FINANZAS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name ALBERTO RODRÍGUEZ
Title COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to generate and share information for environmental quality control at the national level, by supporting the Borrower to improve its environmental monitoring and analytical capacity, increase public access to environmental quality information and promote informed public participation in environmental quality management.

The Project consists of the following parts:

Part 1: Improve Environmental Quality Control (Mejoramiento y Ampliación del Servicio de Control de la Calidad Ambiental a Nivel Nacional)

Provision of support to MINAM and OEFA to carry out their responsibilities in air, water and soil monitoring and environmental analysis, including:

1.1. Environmental Quality Standards and Guidelines: provision of support to MINAM’s Department of Environmental Quality for: (i) the strengthening of the Borrower’s quality control and quality assurance regulatory framework for air, water and soil monitoring and environmental analysis; (ii) the preparation of technical standards, protocols, methodologies and guidance for ambient monitoring and analytical activities; and (iii) carrying out of baseline and pollution source studies for supporting evidence-based policy making and environmental quality control.

1.2. Monitoring and Analytical Capacity Building: provision of support to OEFA and SENAMHI, to better monitor air, water and soil quality, in priority air-sheds and watersheds of the Borrower’s territory, including the acquisition of equipment required therefore.

1.3. Monitoring and Analysis: provision of support to OEFA to design, construct and equip a state-of-the-art national environmental analysis laboratory.

Part 2: Improve Information and Public Participation for Environmental Quality Control (Mejoramiento y Ampliación del Servicio de Información para el Control de Calidad Ambiental)

Provision of support to MINAM to improve SINIA’s capacity to properly collect, store and share environmental quality information generated by various entities at the national and local levels, and to develop and deploy public participation platforms to facilitate the dissemination of environmental quality information and public participation in environmental quality management, through:

2.1. Strengthening of the interconnection of existing environmental information systems, including provision of support for data storage and processing for SENAMHI.

2.2. Improvement of SINIA’s capacity to manage environmental quality data, including upgrading the existing data center and data processing software.
2.3. Development and deployment of user-friendly IT platforms for dissemination of environmental quality information, which will address the information needs of policy makers, environmental civil society organizations, and other key stakeholders.

2.4. Development and deployment of communication tools for public inputs on environmental quality management issues.

2.5. Improvement of stakeholders’ capacity to use SINIA’s new environmental information tools.

Part 3: Project Management

Provision of support to MINAM and OEFA to implement the Project, through the provision of technical assistance and the acquisition of goods required therefor, including the financing of Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MINAM, shall cause OEFA to:

   (a) (i) create, and thereafter operate and maintain until the completion of the Project, a unit (the PCU) responsible for the management, coordination, supervision, monitoring and evaluation of the Project, including the carrying out of procurement, financial management and safeguards aspects of the Project; and (ii) ensure that the PCU is, at all times during Project implementation, headed by a Project coordinator and assisted by two technical coordinators to assist OEFA in the implementation of Parts 1.2 and 1.3 of the Project, and two technical coordinators to assist MINAM in providing the assistance to OEFA under Parts 1.1 and 2 of the Project, as referred to in Section 3.01 (a) of this Agreement, as well as, other professional and administrative staff (including procurement, financial management, and legal specialists), all with functions, experience, responsibilities and qualifications acceptable to the Bank as described in the Operational Manual, and;

   (b) not later than thirty (30) days after the Effective Date, ensure that the four technical coordinators mentioned in paragraph (a) above have been hired as provided in said paragraph.

2. The Borrower, through MINAM, shall establish, and thereafter maintain throughout the implementation of the Project, a Project Steering Committee (PSC) with functions, powers, resources and competencies acceptable to the Bank, as defined in the Operation Manual, including overseeing Project implementation, and providing general policy guidance, and which committee shall be chaired by the vice-minister of Environmental Management of MINAM.

3. The Borrower, through MINAM shall cause OEFA to carry out the Project in accordance with a manual (the Operational Manual), satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the relevant Parts of the Project, including, inter alia, the following: (i) the detailed description of Project activities and the detailed institutional arrangements of the Project; (ii) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (iii) the monitoring indicators for the Project; and (iv) the Environmental and Social Management Framework (ESMF). In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.
B. Cooperation Agreements and Other Institutional Arrangements

1. To facilitate the carrying out of the Project by OEFA, the Borrower shall ensure that:

   (a) the entire proceeds of the Loan are made available to OEFA, under terms and conditions acceptable by the Bank.

   (b) OEFA shall promptly inform the Borrower and the Bank of any condition which interferes or threatens to interfere with the implementation of the Project and the achievement of the objective thereof.

   (c) OEFA, at the request of the Borrower and/or the Bank, shall exchange views with the Borrower and the Bank with regard to the progress of the Project and the achievement of the objective thereof.

2. (a) To facilitate the carrying out of the Project, the Borrower, through MINAM, shall enter into an agreement with OEFA (the OEFA Cooperation Agreement) under terms and conditions acceptable to the Bank including, inter alia, MINAM and OEFA responsibilities in Project execution, and MINAM’s and OEFA’s obligations to carry out the activities of the Project in accordance with the relevant provisions of this Agreement.

   (b) The Borrower, through MINAM, shall exercise its rights and carry out its obligations under the OEFA Cooperation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the OEFA Cooperation Agreement or any of its provisions.

3. (a) For purposes of governing the assistance to be provided by SENAMHI under Parts 1.2 and 2.1 of the Project, the Borrower, through MINAM, shall, and shall cause OEFA to, not later than one (1) year after the Effective Date, enter into a tripartite agreement with SENAMHI and MINAM (the SENAMHI Cooperation Agreement) under terms and conditions acceptable to the Bank including, inter alia, SENAMHI’s responsibilities and obligations in providing assistance to MINAM and OEFA under said Parts of the Project in accordance with the relevant provisions of this Agreement.

   (b) The Borrower through MINAM, shall, and shall cause OEFA to, exercise its rights and carry out its obligations under the SENAMHI Cooperation Agreement in such manner as to protect the interests of the Borrower, the Bank and OEFA and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the SENAMHI Cooperation Agreement or any of its provisions.

4. (a) For purposes of governing the assistance to be provided by ANA to MINAM under Part 2.1. of the Project, the Borrower, through MINAM, shall, not later than one (1) year after the Effective Date, enter into an agreement with ANA (the ANA
Cooperation Agreement) under terms and conditions acceptable to the Bank including, *inter alia*, ANA's responsibilities and obligations in providing said assistance under said Part of the Project in accordance with the relevant provisions of this Agreement.

(b) The Borrower, through MINAM, shall exercise its rights and carry out its obligations under the ANA Cooperation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the ANA Cooperation Agreement or any of its provisions.

C. **Anti-Corruption**

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

D. **Safeguards**

1. **Environmental and Social Management Framework (ESMF)**

   The Borrower, through MINAM, shall cause OEFA to: (a) implement the Project in accordance with the ESMF; (b) comply with the procedures detailed in said ESMF for environmental screening, evaluation, implementation and monitoring of the Project, including the procedures for the preparation of environmental and/or social management plans, if applicable; and (c) if applicable, implement and/or cause to be implemented, the pertinent environmental and social management plan, all in accordance with their terms and in a manner acceptable to the Bank.

2. **Technical assistance**

   The Borrower, through MINAM, shall cause OEFA to ensure that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the applicable Bank Safeguards Policies, as applied to the advice conveyed through such technical assistance.

3. **Resettlement**

   The Borrower, through MINAM, shall cause OEFA to ensure that no Resettlement is involved under the Project.
Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through MINAM, shall cause OEFA to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank by OEFA not later than one calendar month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MINAM, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower, through MINAM, shall cause OEFA to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower, through MINAM, shall cause OEFA have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower or such other period to be agreed with the Bank, when applicable. The audited Financial Statements for each such period shall be furnished to the Bank by OEFA not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts 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; (f) Procedures set forth in paragraphs 5.1-5.6 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

E. Special Provisions

(a) In addition and without limitation or restriction to any other provision set forth in this Section or the Procurement Guidelines, the following provisions shall govern all procurement of goods, works and non-consulting services under National Competitive Bidding procedures:

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

(ii) No reference value shall be required for publication in the bidding documents or used for the purpose of 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 Bidding 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 their bidding documents or any documentation related to such bidding documents with either Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a prerequisite of bidding.

(v) The Borrower, through MINAM, shall cause OEFA to utilize standard bidding documents satisfactory to the Bank.

(b) In addition and without limitation or restriction to any provision set forth in this Section or the Consultant Guidelines, the following provisions shall govern all employment of consultants:

(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 Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.

(iii) No minimum number of responsive proposals shall be required prior to awarding a contract for consulting services.

(iv) The Borrower, through MINAM, shall cause OEFA to use standard requests for proposals and standard evaluation formats, all satisfactory to the Bank.

(v) Foreign consultants, either individuals or firms, shall not be required to pay fees to the Peruvian Consultants' Association that are different from those required for Peruvian consultants.

(vi) No consultant financed out of the proceeds of the Loan shall, at the time he or she is carrying out his or her contractual obligations as a consultant, may hold civil service office or any other position in any agency of the Borrower (including OEFA), nor shall such consultant have any right to re-entry into any such office or position upon the conclusion of his or her consulting services.

F. Procurement Plan Execution System

The Borrower, through MINAM, shall cause OEFA to: (i) supply the STEP with the information contained in the Procurement Plan within sixty (60) days after the date of this
Agreement; and (ii) update the Procurement Plan at least once a year, or as needed through the duration of the project, to reflect the actual needs and progress in implementation of the Project and, supply the STEP with the information contained in the updated Procurement Plan immediately thereafter.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower, through MINAM, shall cause OEFA, may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the 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 allocation 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services required under Part 1 of the Project</td>
<td>37,277,479</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, and consultants’ services required under Part 2 of the Project</td>
<td>2,722,521</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>40,000,000</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:
   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
   (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $8,000,000 may be made for payments made prior to this date but on or after November 8, 2016, for Eligible Expenditures.

2. The Closing Date is June 1, 2022.
Section V. Other Undertakings

Without limitation to the provision of Sections 5.03 and 5.06 of the General Conditions, the Borrower, through MINAM, shall: (a) ensure that the funds required to operate and maintain the equipment and facilities under Parts 1.2, 1.3 and 2.2 of the Project shall be available, promptly as needed; and (b) cause OEFA to ensure that the equipment and facilities referred to in (a) herein shall at all times during Project implementation be properly operated and maintained.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On May 15, 2022</td>
<td>50%</td>
</tr>
<tr>
<td>On November 15, 2022</td>
<td>50%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

   (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on
or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
APPENDIX

Section I. Definitions

1. “ANA” means Autoridad Nacional del Agua, the Borrower’s National Water Authority, responsible for the Borrower’s conservation, protection and sustainable use of water resources, as established and operating pursuant to the Borrower’s Legislative Decree No. 997, dated March 13, 2008 (said Legislative Decree has been amended to the date of this Agreement).

2. “ANA Cooperation Agreement” means the agreement referred to in Section I.B.3 (a) of Schedule 2 to this Agreement.


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


7. “Cooperation Agreements” means the ANA Cooperation Agreement, the OEFA Cooperation Agreement and the SENAMHI Cooperation Agreement.

8. “Environmental and Social Management Framework or ESMF” means the Borrower’s framework dated August 2016, acceptable to the Bank, published and available to the public on the website www.oefa.gob.pe on September 26, 2016, and on Bank’s InfoShop on September 26, 2016, which contains the environmental protection measures in respect of the Project, including, inter alia: (a) measures for chance findings of cultural property; (b) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (c) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (d) the recommendation of mitigation measures for each negative environmental impact identified; and (e) measures for enhancing each identified positive environmental impact, as said framework may be amended from time to time with the agreement of the Bank.

10. "IT" means Information Technology.


12. "OEFA" means Organismo de Evaluación y Fiscalización Ambiental, the Borrower's agency responsible for assessing, supervising, and enforcing environmental activities in the Borrower's territory, as established and operating pursuant to the Borrower's Legislative Decree No. 1013 dated May 13, 2008 (as said Presidential Decree has been amended to the date of this Agreement).

13. "OEFA Cooperation Agreement" means the agreement referred to in Section I.B.1 (a) of Schedule 2 to this Agreement.

14. "Operating Costs" means the reasonable incremental operational costs (which would not have been incurred absent the Project) incurred by the Borrower, through MINAM, and OEFA, related to the management aspects of the Project, including inter alia, remuneration for non-operational and non-technical staff (excluding the Borrower's civil servants), minor office equipment, supplies, printing services, communication costs, utilities, maintenance of office equipment and facilities and logistics service.

15. "Operational Manual" means the Borrower's manual referred to in Section I.A.3 of Schedule 2 to this Agreement, as said manual may be amended from time to time with the agreement of the Bank.

16. "PCU" means the Project Cooperation Unit referred to in Section I.A.1.(a) of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.


18. "Procurement Plan" means the Borrower's procurement plan for the Project, dated November 8, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

19. "Project Steering Committee" or "PSC" means Grupo de Trabajo: Comité Directivo, the committee referred to in Section I.A.2. of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.

20. "Resettlement" means the impact of: (i) an involuntary taking of land under the Project, which taking causes affected persons to have their: (a) income source or means of livelihood adversely affected (whether or not the affected persons must move to another location); or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; or (ii) an involuntary restriction of access to natural
resources in legally designated parks and protected areas (including reserves) which causes an adverse impact on the livelihoods of the affected persons.

21. "SENAMHI" means Servicio Nacional de Meteorología e Hidrología del Perú, the Borrower’s National Meteorology and Hydrology Service, an agency created by the Borrower’s Law Decree No. 17532 dated March 25, 1969 (as such Law Decree has been amended to the date of this Agreement), which centralizes the meteorological and hydrological activities in the Borrower’s territory.

22. "SENAMHI Cooperation Agreement" means the agreement referred to in Section I.B.2 (a) of Schedule 2 to this Agreement.

23. "SINIA" means Sistema Nacional de Información Ambiental, the Borrower’s National Environmental Information System, created by the Borrower’s Law No. 28611, dated October 15, 2005 (General Environmental Law) for purposes of establishing an integrated network to facilitate the compilation, access and dissemination of environmental information, as well as the use and exchange of information for decision making on environmental management.

24. “STEP” - Systematic Tracking on Exchanges in Procurement means the Bank’s system for the execution of the Procurement Plan.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any surcharge, any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.