June 26, 2017

His Excellency
Mr. Fernando Zavala
Minister of Economy and Finance
Ministry of Economy and Finance
Jr. Junín 319
Cercado de Lima
Lima, Perú

Re: Peru: Cusco Regional Development Project
Amendment to the Loan Agreement No. 8306-PE

Excellency:

Please refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “World Bank”) and the Republic of Peru (the “Borrower”) for the Cusco Regional Development Project (“Project”) dated July 24, 2014 (“Loan Agreement”). The capitalized terms used in this letter (“Amendment Letter”) and not defined herein have the meaning ascribed to them in the Loan Agreement.

I also refer to the Borrower’s request through the Ministry of Economy and Finance dated May 25, 2017, indicating a need for a restructuring given that the Project, as it is currently designed, will not be completed prior to its Closing Date. The request is to prioritize key subprojects to optimize the time remaining and financial resources available in order to meet the Project’s development objective in a timely manner.

We are pleased to inform you that the World Bank agrees with the Borrower’s request, and proposes to amend the Loan Agreement as follows:

1. Components 1.2, 2 and 3 under the Project Description in Schedule 1 to the Loan Agreement are amended to read as follows:

“Component 1: Development and Consolidation of Tourism Services

2. Developing and implementing a pilot competitive fund (fondo concursable) to provide technical assistance to private small and micro enterprises to carry out subprojects in order to improve the competitiveness of touristic products and services.
Component 2: Integrated Solid Waste Management

Improving the local capacity to clean streets and public places and to efficiently collect, transport and dispose of solid waste in the Provinces of Calca and Urubamba through, *inter alia*: (i) the construction of two (2) new landfills, one in each of the Provinces of Calca and Urubamba; (ii) the strengthening of provincial and municipal administration’s institutional capacity in order to administer the management of solid waste facilities and services; (iii) the investments in solid waste services at the district level to improve collection, recycling and the cleaning of streets and public spaces; and (iv) the carrying out of communication campaigns in local communities for the promotion of adequate waste management practices and environmental education.

Component 3: Disaster Risk Management and Disaster Preparedness

Increasing the resilience of the local population and tourism infrastructure to natural disasters through, *inter alia*: (i) designing early warning systems to anticipate the flooding of the Vilcanota and Patacancha rivers in the Sacred Valley and Ollantaytambo, and implementation of the early warning system in Patacancha; (ii) designing and implementing an integrated approach to the reduction of geological and climatic risks in the micro-basin of K'itamayu river in Pisac; (iii) designing and implementing an integrated approach to mitigate external geodynamic risks in the Ccochoq river basin in the Province of Calca; and (iv) updating the disaster risk management plan for the Sacred Valley, including plans for the evacuation of tourists, and carrying out evacuation training and simulation exercises with local population and tourists.”

2. Section I.F. of Schedule 2 to the Loan Agreement is hereby deleted.

3. Section I.G.3(e) of Schedule 2 to the Loan Agreement is deleted and a new paragraph 4 is added as follows:

“4. The Borrower shall cause the Region of Cusco, acting through PER Plan COPESCO, to ensure that, prior to the operation of each individual landfill under Component 2 of the Project, an individual trust fund (*fideicomiso*) for the financing of the operation and maintenance of such landfill shall have been established jointly by the Region of Cusco and the respective municipal government of Calca and Urubamba, as the case may be, for the benefit of the landfill operator, all under terms and conditions acceptable to the Bank.”

4. The table under Section IV.A.2 of Schedule 2 to the Loan Agreement is amended to read as follows:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services (except for the technical assistance to private small and micro enterprise under the pilot competitive fund under Component 1.2 of the Project), and Training and Workshops under Component 1 of the Project.</td>
<td>14,651,802</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services provided as technical assistance to private small and micro enterprise under the pilot competitive fund for subprojects under Component 1.2 of the Project.</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, consultants’ services, and Training and Workshops under Component 2 of the Project.</td>
<td>10,419,413</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, works, non-consulting services, consultants’ services, and Training and Workshops under Component 3 of the Project.</td>
<td>4,916,781</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Goods, non-consulting services, consultants’ services, Training and Workshops and Incremental Operating Costs, including financial audits under Component 4 of the Project.</td>
<td>3,012,004</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>35,000,000</td>
<td></td>
</tr>
</tbody>
</table>

5. The following Definitions in the Appendix to the Loan Agreement are amended to read as follows:

"1. **Abbreviated Resettlement Plans** means, collectively, the resettlement plan dated July 2013, (acceptable to the Bank) prepared and adopted by PER Plan COPESCO in relation to the proposed construction of a solid waste landfill to be located in the Province of Calca (Component 2 of the Project), included as Annex 8 to the ESMF, and defining the protocols and procedures to ensure the payment of compensation at full replacement costs and/or the provision of resettlement assistance to Displaced Persons on account of loss of assets, access restrictions and/or loss of income sources."

"8. **Environmental and Social Impact Assessments** and the acronym **ESIAs** mean, collectively, the social and environmental impact assessments dated July 2013 and June 2013 (acceptable to the Bank), prepared by PER Plan COPESCO, in relation to the proposed construction of the solid wastes landfills to be located in the Provinces of Calca and Urubamba, which assessments evaluate the likely positive and negative environmental and social impact of Project activities; as the same
may be revised, updated or supplemented from time to time with the prior written concurrence of the Bank.”

“10. “Environmental and Social Management Plans” and the acronym “ESMPs” mean, collectively, the environmental and social management plans dated July, 2013, (acceptable to the Bank), prepared and adopted by PER Plan COPESCO in respect of the proposed construction of the solid waste landfills to be located in the Provinces of Calca and Urubamba, respectively, setting out mitigation, enhancement, monitoring and/or institutional measures, required to: (i) eliminate any adverse environmental and social impact of the respective activities; (ii) offset them, or reduce them to acceptable levels; and/or (iii) enhance any positive impacts thereof (including chance finding protocols for the handling of physical cultural resources, and when applicable the Indigenous Peoples Plans, the Abbreviated Resettlement Plans and the Social Inclusion Plan); as such plans may be revised, updated or supplemented from time to time with the prior written concurrence of the Bank.”

6. The following Definition of Subprojects is included in the Appendix to the Loan Agreement and the Appendix renumbered accordingly:

“Subprojects” means any eligible activities under Component 1.2. of the Project which meet the criteria set forth in the Operational Manual, including the acquisition of livestock, farm animals and other goods as acceptable to the Bank.”

All the terms and conditions of the Loan Agreement, except as amended hereby, shall remain in full force and effect.

Please confirm the Borrower’s agreement to the amendment by signing and dating this Amendment Letter in the spaces provided below. All other provisions of the Loan Agreement, except as amended through this Amendment Letter, shall remain in full force and effect. This Amendment Letter shall be executed in two (2) counterparts each of which shall be an original.
The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon receipt by the World Bank of one fully executed original of this Amendment Letter.

The Restructuring Paper dated June 26, 2017 will be disclosed on the World Bank’s external website.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Alberto Rodriguez
Director
Bolivia, Chile, Ecuador, Perú and Venezuela
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF PERU

By:

Authorized Representative

Name: ELIZABETH CACERES MERINO

Title: __________________________

Date: 24 AGO. 2017