Loan Agreement

(Basic Education Project)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 1, 2013
LOAN AGREEMENT

Agreement dated 1, 2013 between REPUBLIC OF PERU ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Bank and the Borrower 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 twenty five million Dollars ($25,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 60 days after the Effective Date.

2.04. 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 Variable 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the
Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to his Agreement.

2.07. (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 declares its commitment to the objective of the Project and the Program. To this end, the Borrower shall carry out the Project, through MINEDU, with the overall technical coordination of UMC, and with the assistance of: (i) UMC for Part 1 of the Project; (ii) DEI for Part 1(b) of the Project jointly with UMC; (iii) DIDE, DIGEDD and DIGEDIE for Part 2 of the Project; and (iv) UE² for Part 3 of the Project, all 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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Operational Manual has been adopted by the Borrower, through MINEDU, in a manner acceptable to the Bank.

4.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on July 17, 2014.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's representative is its Minister of Economy and Finance, provided that the Borrower's Director of Indebtedness and Public Treasury may, by him or herself, represent the Borrower to sign amendments to this Agreement which are considered of an administrative and non-financial nature. The signing by such Director of an amendment shall constitute a representation by the Borrower that any such amendment is considered to be administrative and non-financial in nature.

5.02. The Borrower's Address is:

Ministry of Economy and Finance
Jr. Junín 319
Lima, Peru
Facsimile: (511) 625-9921

5.03. The Bank's Address is:

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

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve MINEDU’s capacity to evaluate student learning, instructional practice, and school leadership in Basic Education.

The Project consists of the following parts:

Part 1: Evaluating Student Learning

Provision of support for the implementation of Eligible Budget Activities supporting the Program, including, *inter alia:* (a) the scale up of the existing second grade student assessment to cover additional grades and subject areas in Primary Education and Secondary Education schools; (b) the introduction of internationally validated methodologies for measuring child development outcomes and quality of services in Preschool Education; and (c) the provision of support for the Borrower’s continued participation in international assessments managed by the OECD and UNESCO in order to compare trends in national results with international benchmarks.

Part 2: Evaluating Instructional Practice and School Leadership

Provision of support for the implementation of the Eligible Budget Activities supporting the Program, including, *inter alia*, activities to strengthen MINEDU’s capacity for monitoring and evaluating the quality of instructional practice at the classroom level, as well as, for implementing a competency-based system for selecting and training candidates to school management positions.

Part 3: Strengthening MINEDU’s Implementation Capacity

Provision of support for the implementation of the Eligible Budget Activities, supporting the Program, including, *inter alia*, activities to strengthen MINEDU’s capacity to improve its education management and monitoring capacity for the activities supported by the Program and its operational and fiduciary capacity for the implementation of the Program, including the carrying out of independent technical, financial and procurement reviews.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MINEDU, shall operate and maintain, until the completion of the execution of the Project:
   (a) the UEP, which shall be responsible for the coordination, supervision, monitoring, evaluation and fiduciary management of the Project, and shall, not later than ninety days after the Effective Date, employ fiduciary staff in adequate numbers acceptable to the Bank; and
   (b) the UMC, which shall be responsible for the technical management and coordination of the activities implemented under the Project, in coordination with DIGEDD, DIGEDE, DEI and DIDE.

2. The Borrower, through MINEDU, shall ensure that said units have at all times during Project implementation, a structure, responsibilities, the necessary budget and key staff assigned with functions, experience, responsibilities and qualifications acceptable to the Bank, as described in the Operational Manual.

B. Implementation Arrangements

1. The Borrower, through MINEDU, shall: (a) at least once a year during Project implementation on or about January 30 (and 30 days after the Effective Date for the first year of Project implementation), prepare and furnish to the Bank a plan (the POA), for the Project’s operation during the following twelve months of Project implementation, of such scope and in such detail as the Bank shall have reasonable requested, including detailed description of the activities to be executed under each of the Eligible Budget Activities specified in Schedule 4 to this Agreement; and (b) thereafter carry out each of the POAs in a manner satisfactory to the Bank.

2. The Borrower, through MINEDU, shall:
   (a) have all the Project procurement records and documentation for each calendar year of the Project reviewed, in accordance with appropriate procurement principles, by independent reviewers acceptable to the Bank;
(b) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the procurement external review prepared by said independent reviewers, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning said procurement records and documentation as the Bank shall from time to time reasonably request.

3. The Borrower, through MINEDU, shall:

(a) not later than six months after the Effective Date, select and contract an entity, independent from the Borrower (Independent Verification Agency) with experience and qualifications in the education sector acceptable to the Bank, pursuant to the provisions of Section III of this Schedule and in accordance with terms of reference satisfactory to the Bank, for the carrying out of technical reviews of agreed results during Project implementation, particularly focused on the compliance with the DLIs in accordance with the verification protocols included in the Operational Manual;

(b) cause the Independent Verification Agency to carry out at least two technical reviews during Project implementation, and thereafter prepare a report of such scope and in such detail as the Bank shall reasonably request;

(c) furnish to the Bank as soon as available, the reports of the Independent Verification Agency referred to in paragraph (b) above; and

(d) furnish to the Bank such other information concerning said technical reviews and documentation as the Bank shall from time to time reasonably request.

4. Without limitation to the provisions of Section IV of this Schedule, the Borrower, through MINEDU, shall refrain from presenting the second Loan withdrawal application in respect of Category (1) until a report on the terms referred to in said Section has been presented to the Bank.

5. The Borrower, through MINEDU, shall prepare and furnish to the Bank by July 30 of each year of Project implementation, a customized disbursement report (the EBA Report) on terms acceptable to the Bank (which shall include, inter alia, the spending status of the EBA as of the date of presentation of said report), and in accordance with the provisions set forth in the Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule.
6. The Borrower, through MINEDU, shall ensure that the Eligible Budget Activities shall comply with the eligibility criteria and procedures set forth in the Operational Manual.

7. The Borrower shall ensure that the budget code numbers indicated in Schedule 4 to this Agreement shall conform to the Borrower’s annual budget law. The Borrower and the Bank agree that such budget code numbers may change under the Borrower’s budget law provided, however, that there is no change in the corresponding EBA and in the underlying activities to be carried out under such EBA.

8. The Borrower, through MINEDU, and the Bank may jointly adjust, once every year, the amounts assigned per budget code to the EBAs detailed in Schedule 4 to this Agreement, in a manner satisfactory to the Bank.

9. Without limitation to the provisions of Section 5.08 (b) of the General Conditions, and prior to the second Loan withdrawal under Category (1) (as referred to in the Operational Manual and additional instructions referred to in Section IV.A.1 of this Schedule), the Borrower, through MINEDU, shall

(a) carry out a mid-term review with the Bank on the overall progress in the execution of the Project and on the accomplishment of the Project objective, including a review of the existing DLIs to determine if there is a need to modify or replace the same;

(b) not later than thirty calendar days after the completion of said mid-term review, prepare and furnished to the Bank a report of such scope and in such detail as the Bank shall reasonably request, and

(c) immediately thereafter, implement the recommendations set forth in said report, all in a manner acceptable to the Bank.

10. If, at any time, the Bank determines that any portion of the Loan proceeds was used for items improperly procured in violation of Section III to this Schedule, was not used for Eligible Expenditures or, in case of the Eligible Budget Activities under the Project, was not supported by evidence of actual spending by the Borrower under said Eligible Budget Activities and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Operational Manual, the Borrower shall promptly refund any such portion to the Bank as the Bank shall specify by notice to the Borrower.
C. Anti-Corruption

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

D. Safeguards and Operational Manual

(a) The Borrower, through MINEDU, shall carry out the Project in accordance with:

(i) the IPPF; and

(ii) a manual, satisfactory to the Bank (the Operational Manual), which shall include, inter alia: (i) the Performance Indicators; (ii) the procedures for the carrying out the monitoring and evaluation of the Project; (iii) the verification protocols for compliance and monitoring of DLIs (including detailed description of the evidence required for considering the DLI met); (iv) the procurement and financial requirements of the Project; (v) the roles and responsibilities of each Implementing Agency; (vi) the IPPF; and (vii) the Project chart of accounts and internal controls, reporting procedures and the format of the Interim unaudited financial reports referred to in Section II.B.2 of this Schedule.

(b) In case of conflict between the terms of the Operational Manual and this Agreement, the provisions of this Agreement shall prevail, and except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through MINEDU, shall 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 performance indicators, the format and the specifications set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than 60 calendar days after the end of the period covered by each such report.
B. Financial Management, Financial Reports and Audits

1. The Borrower, through MINEDU, 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. Without limitation on the provisions of Part A of this Section, the Borrower, through MINEDU, shall prepare and furnish to the Bank as part of the Project Reports not later than 60 days after the end of each calendar semester, interim unaudited financial report for the Project covering the calendar semester, in form and substance satisfactory to the Bank.

3. The Borrower, through MINEDU, shall have the Financial Statements of the Project 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 not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 and Non-consulting Services

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

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection based on the Consultants' Qualifications</td>
</tr>
<tr>
<td>(c) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Selection under Fixed Budget</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.5 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Single-Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
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

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

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

   (b) No reference value shall be required for publication in the bidding documents or used for the purpose of bid evaluation.

   (c) Award of contract 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.

   (d) Foreign bidders shall be allowed to submit a bid under NCB 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 (legalizar) their bidding documents or any documentation related to such bidding documents with either Peruvian Consulates, the Borrower's Ministry of Foreign Affairs, or any Peruvian authorities as a prerequisite for bidding.

   (e) The Borrower, through the UEP, shall use standard bidding documents and standard evaluation formats, all satisfactory to the Bank.

2. In addition and without limitation or restriction to any other provisions set forth in this Section or the Consultant Guidelines, the following provisions shall govern all employment of consultants:

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

   (b) Foreign consultants shall not be required to authenticate (legalizar) any documentation related to their participation in the selection process with
Peruvian Consultants, the Borrower’s Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.

(c) The Borrower, through the UEP, shall use standard requests for proposals and standard evaluation formats; all satisfactory to the Bank.

(d) 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.

(e) No individual consultant hired for the Project, at the time he or she is carrying out his or her contractual obligations as consultant, may hold civil service office or any other position in any agency or instrumentality of the Borrower, 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.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower 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 (Disbursement Letter) 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>Eligible Budget Activities under the Project</td>
<td>25,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>25,000,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.

C. Arrangements for DLI Compliance

1. Prior to any Loan withdrawal under Category (1), the Borrower, through MINEDU, shall submit to the Bank, in a manner acceptable to the Bank: (a) the pertinent EBA Report, in accordance with the provisions of the Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule; and (b) evidence of compliance with the Disbursement-Linked Indicators, as referred to in the Operational Manual and in the additional instructions referred to in Section IV.A.1 of this Schedule.

2. If the Bank has not received evidence of full compliance with the quantitative DLIs (DLIs #1, 4, 6 and 8) listed in Schedule 5 to this Agreement, in respect to any Loan withdrawal under Category (1) (as referred to in the Operational Manual and additional instructions referred to in Section IV.A.1 of this Schedule), then:

(a) the Bank shall disburse the Loan amount of the corresponding withdrawal attributable to each DLI, in proportion to the respective degree of execution of each DLI and in accordance with additional instructions referred to in Section IV.A.1 of this Schedule;

(b) the Borrower, through MINEDU, shall prepare and furnish to the Bank a satisfactory time-bound action plan to achieve such DLI or DLIs in a manner satisfactory to the Bank; and

(c) as soon as the Bank is satisfied that said action plan has been implemented, the Bank shall authorize the withdrawal of unwithdrawn Loan amount by which the corresponding Loan withdrawal had been reduced in the withdrawal period following the date of implementation of said action plan, all as further detailed in the additional instructions referred to in Section IV.A.1 of this Schedule.

3. If the Bank has not received evidence of full compliance with the qualitative DLIs (DLs #2, 3, 5, and 7) listed in Schedule 5 to this Agreement, with respect to any Loan disbursement under Category (1) (as referred to in the Operational Manual and additional instructions referred to in Section IV.A.1 of this Schedule), then:
(a) the Bank shall withhold the corresponding withdrawal attributable to each DLI;

(b) the Borrower, through MINEDU, shall prepare and furnish to the Bank a satisfactory time-bound action plan, to achieve such DLI in a manner satisfactory to the Bank; and

(c) when the Bank is satisfied that said action plan has been implemented, the Bank shall authorize the withdrawal of unwithdrawn Loan amount by which the corresponding Loan withdrawal had been reduced in the withdrawal period following the date of implementation of said action plan, all as further detailed in the additional instructions referred to in Section IV.A.1 of this Schedule.

4. In the event that the Bank has not approved a full withdrawal by the Borrower of the Loan proceeds under Category (1) (as referred to in the additional instructions referred to in Section IV.A.1 of this Schedule), the Bank may, by notice to the Borrower, cancel the corresponding amount of the Loan at the time of after the last Loan withdrawal (as referred to in the additional instructions referred to in Section IV.A.1 of this Schedule).

5. The Closing Date is March 31, 2018.
SCHEDULE 3

An ortization Schedule

1. The following tabli 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 each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>Beginning September 15, 2017 through September 15, 2019</td>
<td>20%</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 amount 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 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amount 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 sub-paragraph 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.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
## SCHEDULE 4

Eligible Budget Activities
(Expressed in Nuevos Soles)

<table>
<thead>
<tr>
<th>Budget Code and Selected Activity</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Evaluating student learning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5000244. Student Census Assessment</td>
<td>68,133,901</td>
<td>73,536,395</td>
<td>77,765,326</td>
<td>81,955,198</td>
<td>301,390,819</td>
</tr>
<tr>
<td>5000253. Participation in international assessments</td>
<td>2,482,309</td>
<td>1,232,818</td>
<td>2,595,874</td>
<td>161,546</td>
<td>6,472,547</td>
</tr>
<tr>
<td>5003145. Assessment of preprimary students and quality of services</td>
<td>3,705,000</td>
<td>80,000</td>
<td>80,000</td>
<td>2,300,000</td>
<td>7,245,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>89,979,210</td>
<td>86,688,513</td>
<td>82,565,809</td>
<td>105,146,161</td>
<td>354,475,853</td>
</tr>
<tr>
<td><strong>Evaluating the quality of learning and school leadership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5003114. School Principal Evaluation System</td>
<td>6,000,000</td>
<td>20,960,000</td>
<td>20,710,000</td>
<td>19,480,000</td>
<td>67,150,000</td>
</tr>
<tr>
<td>5003146. Monitoring learning opportunities in the classroom</td>
<td>1,560,800</td>
<td>1,716,880</td>
<td>1,888,568</td>
<td>2,077,425</td>
<td>7,243,673</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>7,560,800</td>
<td>22,676,880</td>
<td>22,598,568</td>
<td>21,557,425</td>
<td>74,393,673</td>
</tr>
<tr>
<td><strong>Strengthening MINEDU's implementation capacity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5000276. Program management</td>
<td>1,977,865</td>
<td>2,328,870</td>
<td>2,068,870</td>
<td>2,328,870</td>
<td>8,704,475</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>1,977,865</td>
<td>2,328,870</td>
<td>2,068,870</td>
<td>2,328,870</td>
<td>8,704,475</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100,537,875</td>
<td>131,635,393</td>
<td>125,122,868</td>
<td>128,851,478</td>
<td>448,154,563</td>
</tr>
</tbody>
</table>
SCHEDULE 5
Disbursement Linked Indicators (DLIs)

<table>
<thead>
<tr>
<th>DLI#</th>
<th>Indicator</th>
<th>Baseline</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of additional grades at the Primary Education and Secondary Education levels in which sound national assessments are administered in at least two subjects areas</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Annual Results of national student assessments at the Primary Education and Secondary Education levels reported at the national, regional and school level</td>
<td>Reported for the grades assessed the previous year</td>
<td>Reported for the grades assessed the previous year</td>
<td>Reported for the grades assessed the previous year</td>
<td>Reported for the grades assessed the previous year</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Annual Results of national studies of classroom instructional practice at the Primary Education and Secondary Education levels reported at the national level</td>
<td>Reported</td>
<td>Reported</td>
<td>Reported</td>
<td>Reported</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Number of school management positions staffed through the school principal evaluation system</td>
<td></td>
<td>1,000</td>
<td>10,000</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Yearly student assessment for selected grades of Primary Education and Secondary Education levels validated in a pilot study</td>
<td>0</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Number of surveys carried out to evaluate child development progress and the quality of public Preschool Education services</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Borrower’s (through MINEDU) participation in international assessments of student learning outcomes</td>
<td>1</td>
<td>Participation in TERCE</td>
<td>Participation in PISA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Number of national studies carried out to monitor instructional practice in Primary Education or Secondary Education levels, as the case may be</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions


2. "Basic Education" means Pre-primary Education, Primary Education and Secondary Education.

3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "DEI" means Dirección de Educación Inicial, the Borrower’s Directorate for Preschool Education within MINEDU.

6. "DIDE" means Dirección de Investigación y Documentación Educativa, the Borrower’s Directorate for Research and Documentation within MINEDU.

7. "DIGEDD" means Dirección General de Desarrollo Docente, the Borrower’s General Directorate for Teacher Development within MINEDU.

8. "DIGEDIE" means Dirección General de Desarrollo de las Instituciones Educativas, the Borrower’s General Directorate for School Development.

9. "Disbursement-Linked Indicator" or "DLI" means any of the indicators set forth in Schedule 5 of this Agreement.

10. "EBA Report" means any of the reports referred to in Section I.B.5 of Schedule 2 to this Agreement.

11. "Eligible Budget Activities" or "EBA" means the activities within the Program under the budget codes set forth in Schedule 4 to this Agreement in respect of which a set of selected eligible expenditures (including goods, non-consulting services and consultants’ services), which are not permanent in nature, will be incurred by the Borrower under the Project (and thus said set of expenditures constitute a subset of the Eligible Expenditures defined in the General Conditions).

13. "Independent Verification Agency" means the entity referred to in Section I.B.3 (a) of Schedule 2 to this Agreement.

14. "Indigenous Peoples' Planning Framework or IPPF" means the Borrower's framework dated December 4, 2012 acceptable to the Bank, published and available to the public on MINEDU's website on December 4, 2012, detailing measures to mitigate any adverse impact on indigenous peoples as a result of any activity carried out under the Project and to ensure that they benefit from the Project, including procedures for the preparation and implementation of the pertinent indigenous peoples development plans, referred to in Section I.D.(a)(i) of Schedule 2 to this Agreement.

15. "MINEDU" means Ministerio de Educación, the Borrower's Ministry of Education.

16. "Nuevos Soles" means the Borrower's official currency.

17. "OECD" means Organization for Economic Cooperation and Development (OECD), an intergovernmental organization of industrialized countries created pursuant a Convention signed December of 1960, which purpose is to promote policies to improve the economic and social well-being of people around the world.

18. "Operational Manual" means the Borrower's manual referred to in Section I.D.(ii) of Schedule 2 to this Agreement, as such manual may be amended from time to time with the Bank's prior approval, and such term includes any schedules to the Operational Manual.


21. "PISA" means Program for International Student Assessment, a system of international assessments that focuses, inter alia, on 15-year-old's capabilities in reading literacy, mathematics literacy, and science literacy, coordinated by the OECD.
22. "POA" means Plan Operativo Anual, the Borrower's annual plan referred to in Section I.B.1 of Schedule 2 to this Agreement.

23. "Pre-primary Education" means the education provided to children from 3 years up to 6 years of age or under the Borrower's public school system.

24. "Primary Education" means grades 1 to 6 of the Borrower's public primary school system.


26. "Procurement Plan" means the Borrower's procurement plan for the Project, dated November 23, 2012 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 2.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

27. "Program" means the Borrower's sub-program under the umbrella of PELA, supporting the Eligible Budget Activities.


29. "SPE" means Secretaría de Planificación Educativa, the Borrower's Education Planning Secretariat.

30. "TERCE" means Terce: Estudio Regional Comparativo y Explicativo de Evaluación, the third regional comparative study for the evaluation of third grade and sixth grade of Primary Education in literacy, math and science, coordinated by UNESCO's regional office of Education.

31. "UEP" or means Unidad de Ejecución del Proyecto, the unit created pursuant to the Ministerial Resolution No. 0257-2012 of July 11, 2012 referred to in Section I.A.1(a) of Schedule 2 to this Agreement, and any successor thereof.

32. "UMC" means Unidad de Medición de la Calidad, the Borrower's Quality Measurement Unit referred to in Section I.A.1(b) of Schedule 2 to this Agreement.

33. "UNESCO" means United Nations Educational, Scientific and Cultural Organization, a specialized agency of the United Nations (UN), which purpose is to contribute to peace and security by promoting international collaboration through education, science, and culture in order to further universal respect for
justice, the rule of law, and human rights along with fundamental freedoms proclaimed in the UN charter.