Project Agreement

(Public Sector Management Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

CORPORACION NACIONAL DE DESARROLLO

and

INVERSIONES COFIDE S.A.

Dated December 16, 1982
AGREEMENT, dated December 16, 1982, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CORPORACION NACIONAL DE DESARROLLO S.A. (hereinafter called CONADE) and INVERSIONES COFIDE S.A. (hereinafter called ICSA).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Peru (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to ten million two hundred thousand dollars ($10,200,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that CONADE and ICSA agree to undertake severally such obligations toward the Bank as are hereinafter set forth;

(B) part of the proceeds of the Loan provided for under the Loan Agreement will be made available severally to CONADE and ICSA on the terms and conditions set forth in the Loan Agreement and hereinafter; and

WHEREAS CONADE and ICSA, in consideration of the Bank's entering into the Loan Agreement with the Borrower, have agreed to undertake severally the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I
Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "ICSA Loan" means a loan, denominated and repayable in dollars, made or proposed to be made by the Borrower out of the proceeds of the Loan to ICSA for an ICSA project, pursuant to Sections 3.01 (c) of the Loan Agreement and 2.01 (b) of this Agreement;
"ICSA project" means a project to be included in Part B of the Project and carried out by ICSA utilizing the proceeds of an ICSA Loan, and which: (A) consists in the provisions of technical assistance services to, or acquisition of computer software for, ICSA; and (B) is not a Sub-project, as the term is defined in paragraph (g) below;

"Approved ICSA project" means an ICSA project, as so defined, which has been approved by the Bank pursuant to Section 2.01 (c) of this Agreement;

"Subsidiary Loan" means a loan, denominated and repayable in dollars, made by the Borrower out of the proceeds of the Loan to CONADE solely for purposes of financing a Sub-loan, pursuant to Sections 3.01 (c) of the Loan Agreement and 3.01 (b) of this Agreement;

"Sub-loan" means a loan, denominated and repayable in dollars, made or proposed to be made by CONADE out of the proceeds of a Subsidiary Loan to a Beneficiary for a Sub project;

"Approved Sub-loan" means a Sub-loan, as so defined, which has been approved by the Bank pursuant to Section 3.01 (c) of this Agreement;

"Sub-project" means a project to be included in Part C of the Project to be carried out by a Beneficiary utilizing the proceeds of an Approved Sub-loan, and which consists in the provision of long-term or short-term technical assistance to such Beneficiary; and

"Beneficiary" means any corporation which is either: (A) a private or public law corporation wholly owned by the Borrower, other than those from time to time excluded from access to the proceeds of the Loan by agreement between the Borrower and the Bank, or (B) a mixed economy company, as defined by Article 9 of the Borrower's Legislative Decree No. 216, other than those which ICSA intends to wind-up or the stock shares of which ICSA intends to dispose of.

**ARTICLE II**

**Execution of Part B the Project**

Section 2.01. (a) ICSA shall carry out Part B of the Project, described in Schedule 2 to the Loan Agreement, with due
diligence and efficiency and in conformity with appropriate administrative, financial and management practices.

(b) For purposes of paragraph (a) above, ICSA shall borrow from the Borrower the proceeds of the Loan allocated from time to time to Category (3) of the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement under the applicable terms and conditions set forth in paragraph (c) of Section 3.01 of the Loan Agreement which are hereby acknowledged by ICSA and accepted, for purposes of this Agreement, with the same force and effect as if they were fully set forth herein;

(c) ICSA shall present to the Bank each ICSA project for approval before taking any action for the carrying out of such ICSA project. When presenting an ICSA project to the Bank for approval, ICSA shall furnish to the Bank an application, in form satisfactory to the Bank, together with (i) a description of the ICSA project and of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) evidence of the approval of the ICSA project by the Borrower's Ministry of Economy, Finance and Commerce; and (iii) such other information as the Bank shall reasonably request.

(d) Except as the Borrower, the Bank and ICSA shall otherwise agree, applications made pursuant to the provisions of paragraph (c) of this Section shall be presented to the Bank on or before December 31, 1984.

(e) ICSA shall carry on its operations, including each Approved ICSA project, and conduct its affairs in accordance with sound administrative, financial and business management practices and with the ICSA Charter, and under the supervision of qualified management assisted by competent staff in adequate numbers.

Section 2.02. In order to assist ICSA in the carrying out of Approved ICSA projects, ICSA shall employ, unless not required by the ICSA project in question, consultants whose selection, qualifications, experience and terms and conditions of employment shall be satisfactory to the Borrower and the Bank in accordance with the principles and procedures described in the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 and in the Schedule to this Agreement.

Section 2.03. Except as the Bank shall otherwise agree, contracts for the goods required for any Approved ICSA project and
to be financed out of the proceeds of the Loan shall be awarded to a supplier thereof after obtaining price quotations from such supplier and from not less than two other suppliers.

Section 2.04. (a) ICSA undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan relent to it by the Borrower against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by ICSA to replace or repair such goods.

(b) ICSA shall cause all goods and services financed out of the proceeds of the Loan relent to it by the Borrower to be used exclusively for the purposes of the Project.

Section 2.05. (a) ICSA shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for Part B of the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) ICSA: (i) shall maintain records and procedures adequate to record and monitor the progress of Part B of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in such Part of the Project; (ii) shall enable the Bank's representatives to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning Part B of the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan relent to it by the Borrower and the goods and services financed out of such proceeds.

(c) Upon the award by ICSA of any contract for goods or services to be financed out of the proceeds of the Loan relent to it by the Borrower, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of Part B of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between ICSA
and the Bank, ICSA shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of Part B of the Project, its cost and the benefits derived and to be derived from it, the performance by ICSA and the Bank of their respective obligations under the Project Agreement and the accomplishment of the purposes of the Loan.

(e) ICSA shall enable the Bank’s representatives to examine all plants, installations, sites, works, buildings, property and equipment of ICSA and any relevant records and documents.

Section 2.06. (a) ICSA shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Loan.

(b) ICSA shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by ICSA of its obligations under this Agreement.

ARTICLE III

Execution of Part C of the Project

Section 3.01. (a) CONADE shall carry out Part C of the Project, described in Schedule 2 to the Loan Agreement, with due diligence and efficiency and in conformity with appropriate administrative, financial and management practices.

(b) For purposes of paragraph (a) above CONADE shall make Approved Sub-loans and, in order to finance such Sub-loans, borrow from the Borrower the proceeds of the Loan allocated from time to time to Category (4) of the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement under the terms and conditions set forth in paragraph (c) of Section 3.01 of the Loan Agreement which are hereby acknowledged by CONADE and accepted, for purposes of this Agreement, with the same force and effect as if they were fully set forth herein; provided, however, that should the principal of any Approved Sub-loan or portion thereof be repaid to CONADE by the Beneficiary in question in advance of the corresponding maturity or maturities, CONADE shall promptly repay the Borrower, also in advance of the scheduled maturity, the corresponding principal amount of the Subsidiary Loan under which such Sub-loan was financed.
(c) CONADE shall present each Sub-loan to the Bank for approval. When presenting a Sub-loan to the Bank for approval, CONADE shall furnish to the Bank an application in form satisfactory to the Bank, together with (i) a description of the Beneficiary and of the Sub-project, including the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization thereof; (iii) evidence of approval of the Sub-project by the Borrower's Ministry of Economy, Finance and Commerce; and (iv) such other information as the Bank shall reasonably request.

(d) Except as the Borrower, the Bank and CONADE shall otherwise agree, applications made pursuant to the provisions of paragraph (c) of this Section shall be presented to the Bank on or before December 31, 1984.

Section 3.02. In order to assist each Beneficiary in the carrying out of any Sub-project being carried out by such Beneficiary and financed out of the proceeds of the Approved Sub-loan, CONADE shall cause such Beneficiary to employ consultants whose selection, qualifications, experience and terms and conditions of employment shall be satisfactory to the Borrower and the Bank in accordance with the principles and procedures described in the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 and the Schedule to this Agreement.

Section 3.03. CONADE shall carry out Part C of the Project and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel, and in accordance with the CONADE Charter.

Section 3.04. (a) CONADE undertakes that, unless the Bank shall otherwise agree, any Approved Sub-loan will be made on terms whereby CONADE shall obtain, by written contract with the Beneficiary or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any such Sub-loan, the right of CONADE to: (i) request payments of interest and other charges on, and repayments of principal of, the Sub-loan in such amounts and with such frequency as shall coincide with the payment of interest and other charges on, and repayments of principal of the Subsidiary Loan under which the Sub-loan in question is being financed; (ii)
require the Beneficiary to carry out and operate the Sub-Project in question with due diligence and efficiency and in accordance with sound administrative, financial and managerial standards and to maintain adequate records; (iii) require that: (1) the services to be financed out of the proceeds of the Loan relent to CONADE by the Borrower shall be procured at a reasonable price and in accordance with Section 3.02 of this Agreement, and (2) such services shall be used exclusively in the carrying out of the Sub-Project in question; (iv) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, the sites and works included in the Sub-Project in question, the operation thereof, and any relevant records and documents; (v) require that: (1) the Beneficiary shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, a. shall be consistent with sound business practice; and (2) without any limitation upon the foregoing, such insurance shall cover hazards incident to the rendering of services financed out of the proceeds of the Loan any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary;(vi) obtain all such information as the Bank or CONADE shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-Project; and (vii) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan relent to CONADE by the Borrower upon failure by such Beneficiary to perform its obligations under its contract with CONADE.

(b) CONADE shall exercise its rights in relation to each Beneficiary in such manner as to: (i) protect the interests of the Bank, the Borrower and CONADE, (ii) comply with its obligations under this Agreement, and (iii) achieve the purposes of the Project.

Section 3.05. (a) CONADE shall furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Beneficiaries, the Sub-Projects, the Approved Sub-loans, and, where appropriate, the benefits to be derived from the foregoing.

(b) Upon the award by any Beneficiary of any contract for services to be financed out of the proceeds of the Loan, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.
(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between CONADE and the Bank, CONADE shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of Part C of the Project, its cost and the benefits derived and to be derived from it, the performance by CONADE and the Bank of their respective obligations under the Project Agreement, the performance of each Beneficiary in the carrying out of the Sub-project or Sub-projects being financed under the Approved Sub-loans made to such Beneficiary and the accomplishment of the purposes of the Loan.

ARTICLE IV

Financial Covenants of ICSA

Section 4.01. ICSA shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial conditions, including without limitation to the foregoing, separate accounts reflecting all expenditures on account of which withdrawals are requested from the Loan Account on account of ICSA projects.

Section 4.02. ICSA shall: (i) have the accounts referred to in Section 4.01 of this Agreement for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of such accounts for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts of ICSA and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Financial Covenants of CONADE

Section 5.01. (a) CONADE shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition, including, without limitation to the foregoing, separate accounts
reflecting all expenditures on account of which withdrawals are requested from the Loan Account on account of Approved Sub-loans.

(b) CONADE shall retain, until one year after the Closing Date, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing the expenditures on account of which withdrawals are requested from the Loan Account on account of Approved Sub-loans and shall enable the Bank's representatives to examine such records.

Section 5.02. CONADE shall:

(a) have the accounts referred to in Section 5.01 of this Agreement for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year: (i) certified copies of such accounts for such year as so audited; and (ii) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested, including, without limitation to the foregoing, separate opinions by said auditors in respect of the expenditures and records referred to in Section 5.01 (b) of this Agreement, as to whether the proceeds of the Loan relent to it by the Borrower have been used by the Beneficiaries for the purpose for which they were provided; and

(c) furnish to the Bank such other information concerning said accounts, records and expenditures, as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE VI

Effective Date; Termination; Cancellation and Suspension

Section 6.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 6.02. This Agreement and all obligations of the Bank and of ICSA and of CONADE thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with
its terms, and the Bank shall promptly notify ICSA and CONADE thereof.

Section 6.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address: INTBAFRAD
Telex: 460098 (ITT)

Washington, D.C.
Telex: 248423 (RCA) or 64145 (WUI)

For ICSA:

Inversiones COFIDE S.A.
Avda. Garcilaso de la Vega
Lima, Peru

Telex: 201 62-PE
Section 7.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ICSA, or by ICSA on behalf of the Borrower under the Loan Agreement, may be taken or executed by ICSA's General Manager or such other person or persons as such General Manager shall designate in writing, and ICSA shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 7.03. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CONADE, or by CONADE on behalf of the Borrower under the Loan Agreement, may be taken or executed by CONADE's General Manager or such other person or persons as such General Manager shall designate in writing, and CONADE shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 7.04. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District
of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Ardito Barletta
Authorized Representative

CORPORACION NACIONAL DE DESARROLLO S.A.

By /s/ Alfonso Rivero
Authorized Representative

INVERSIONES COFIDE S.A.

By /s/ Alfonso Rivero
Authorized Representative
1. Extended lists (concurso abierto de méritos) will not be used for inviting proposals from consultants or experts whose services are to be employed pursuant to Sections 2.02 and 3.02 of this Agreement.

2. Such consultants or experts shall be selected after inviting proposals from a short list of firms or individuals. Such short list will be sent to the Bank for approval and the invitations to be issued will, in each case, set forth the criteria to be taken into account for the selection of the individual or firm to which the contract will be awarded. Such criteria will be determined from time to time by agreement between the Bank and the Borrower and will take price into account in accordance with methods and procedures satisfactory to the Bank.

3. Notwithstanding the provisions of paragraph 2 above, the Bank may under certain circumstances, as described in the Guidelines referred to in Sections 2.02 and 3.02 of this Agreement, sympathetically consider the possibility of asking proposals to a single firm or individual.