Loan Agreement

(Integrated Water Resources Management in Ten Basins Project- Gestión Integrada de los Recursos Hídricos en Diez Cuencas)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 25, 2017
LOAN AGREEMENT

Agreement dated September 25, 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 April 15 and October 15 in each year.
2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in provisions of 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 declares its commitment to the objective of the Project. To this end, the Borrower shall ensure that the Project is carried out by ANA, through the PIU, in coordination with MINEDU for Part 2 (b) (iv) of the Project and SENAMHI for Part 1 (a) (i) 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 shall be carried out by ANA 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 ANA’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of ANA to enable the Borrower to comply with its obligations under this Agreement, as applicable to ANA.
4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

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

(b) The PIU’s executive director, finance and administration specialist and procurement specialist have been hired by ANA, all in a manner acceptable 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: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Lima, Peru, as of the day and year first above written.

REPUBLIC OF PERU

By __________________________ Authorized Representative

Name __________________________

Title __________________________

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By __________________________ Authorized Representative

Name __________________________

Title __________________________
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the capacity of targeted water resources management related institutions to plan, monitor and manage water resources at the national level and in Selected River Basins in the Borrower’s territory.

The Project consists of the following parts:

Part 1. Consolidating Integrated Water Resources Management (IWRM) at the national level

Provision of support to ANA and other Borrower’s water related institutions to plan, monitor and manage water resources at the national level, including:

(a) enhancing data generation for IWRM, through the provision of equipment for: (i) the expansion of a digitized, real-time national hydro-meteorological network; (ii) water quality monitoring; (iii) water use, namely surface water abstraction for irrigated agriculture; (iv) groundwater monitoring for selected critical aquifers; and (v) the modernization of monitoring equipment for dam safety in Selected Dams.

(b) improvement of water resources planning and decision-making through, *inter alia*: (i) the strengthening of NWRIS’ capacity to store and process data collected from various monitoring networks; (ii) the development of decision-making modelling tools for WRM and integration into the NWRIS for use at national and basin levels; (iii) the creation and strengthening of institutions for the evaluation and management of groundwater; (iv) the design and implementation of a surface water abstraction monitoring program for the irrigated agricultural sector (which will include, *inter alia*, the installation of monitoring equipment of water use, namely for surface water abstraction for irrigated agriculture, and a program to formalize water rights and facilitate monitoring and enforcement of efficient water use); (v) the design and implementation of a water quality program at national level (which will include, *inter alia*, the implementation of the existing monitoring framework and the installation of water quality monitoring equipment based on said framework); (vi) the improvement of water conflict resolution mechanisms; (vii) the strengthening of economic incentives for increased water use efficiency and reduced pollution; and (viii) the improvement of information accessibility to end-users and simplification of ANA’s administrative procedures.

(c) design and implementation of a technical assistance dam safety program, including the carrying out of the following activities: (i) support the adoption of a regulatory framework for dam safety management; (ii) develop technical guidelines and capacity building for dam monitoring; (iii) carrying out dam safety risk assessments and provide guidelines for emergency plans; (iv) formulate dam safety management plans for Selected Dams; and (v) create a dam safety information module within NWRIS.
Part 2. Improving WRM in Selected Pilot River Basins

Provision of support to improve IWRM in Selected River Basins, including:

(a) strengthening IWRM and the capacity of six existing CCs in Pilot River Basins in the Pacific watershed, through the carrying out of the following activities: (i) enhancement of Water Resources Monitoring Center – Level 1 to develop technical capacities and implement activities such as forecasting, early warning and analysis of water rights; (ii) capacity building and training, including the updating and monitoring of existing IWRM plans, ensuring balanced representation of basin stakeholders in the CCs, and improving communication mechanisms; and (iii) definition of financing mechanisms and legally binding arrangements to finance the IWRM plans.

(b) development of IWRM plans in four Pilot River Basins in the Atlantic watershed, through carrying out of the following activities: (i) establishment of new CCs; (ii) creation of Water Resources Monitoring Centers – Level 1 in each basin; (iii) development of participatory IWRM plans; and (iv) implementation of Cultura del Agua Program to promote a ‘water culture’ among policy makers, water professionals, youth and public.

Part 3. General Project Administration

Provision of support to the PIU for Project management and monitoring of activities and technical supervision through the provision of technical assistance and training, administrative support and fiduciary support related to procurement, financial management and safeguards, and the carrying out of communication activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of complying with its obligation referred to in Section 3.01 of this Agreement, the Borrower shall transfer the proceeds of the Loan to ANA through its budgetary mechanisms and in a manner acceptable to the Bank.

2. Not later than sixty (60) days after the Effective Date, the Borrower shall create and thereafter maintain until completion of the Project, a committee (the Project Steering Committee) to oversee the implementation of the Project and approve the corresponding Annual Operational Plan. Said committee shall have membership and functions acceptable to the Bank, as defined in the Operational Manual.

3. The Borrower shall ensure that ANA shall operate and maintain, until completion of the Project, the PIU with: (a) competent staff with qualifications and experience satisfactory to the Bank in adequate numbers (as detailed in the Operational Manual), and headed by an executive director; and (b) functions and responsibilities satisfactory to the Bank, including the responsibility to manage, coordinate, supervise, monitor and evaluate the Project.

4. Not later than thirty (30) days after the Effective Date, the Borrower shall ensure that ANA, through its PIU, shall have hired the following additional PIU key technical and administrative staff: a planning, budget and evaluation specialist, a technical supervision coordinator, and an environmental specialist, all with functions, experience, responsibilities and qualifications acceptable to the Bank, as described in the Operational Manual.

5. The Borrower shall ensure that ANA, through its PIU, shall: (a) not later than thirty (30) days before the beginning of each year during Project implementation, prepare and furnish to the Borrower, for approval thereof, an annual action plan (the Annual Action Plan), satisfactory to the Bank (which plan shall include, inter alia, the Project activities to be carried during the calendar year following the date of presentation of said plan, an implementation timetable and the funds allocated to carry out said Project activities); and (b) immediately thereafter, carry out said Annual Action Plan in accordance with its terms and in a manner acceptable to the Bank.

B. Cooperation Agreements

1. The Borrower shall ensure that ANA shall carry out Part 2 (b) (iv) of the Project in accordance with the provisions of the MINEDU Agreement.
2. The Borrower shall ensure that ANA shall carry out Part I (a) (i) of the Project in accordance with the provisions of the SENAMHI Agreement.

3. The Borrower shall ensure that ANA shall exercise its rights and carry out its obligations under the MINEDU Agreement and the SENAMHI Agreement, in such manner as to protect the interests of ANA and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall ensure that ANA shall not assign, amend, abrogate, terminate, waive or fail to enforce the MINEDU Agreement, the SENAMHI Agreement or any of their provisions.

C. Anti-Corruption

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

D. Operational Manual

Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall ensure that ANA, through its PIU, shall carry out the Project in accordance with the provisions of a manual (the Operational Manual), satisfactory to the Bank which shall include, inter alia: (i) the organizational structure of the Project, including the structure and terms of reference of personnel in charge of the implementation of the Project and the composition, functions and responsibilities of the Project Steering Committee and the PIU; (ii) the procedures for the carrying out, monitoring and evaluation of the Project; (iii) the indicators for Project monitoring and evaluation; (iv) the Project procurement and financial management requirements and procedures; (v) the Project’s chart of accounts and internal controls; (vi) the format of: (A) the unaudited interim financial reports referred to in Section II.B.3 of this Schedule; and (B) the Financial Statements; and (vii) the terms of reference for carrying out the Project audits under Section II.B.2 of this Schedule. In case of any inconsistency between any provision of the Operational Manual and this Agreement, the provision of this Agreement will prevail.

E. Safeguards

1. The Borrower shall ensure that ANA, through its PIU, shall: (a) carry out the Project in accordance with the provisions of the Environmental and Social Management Framework and the Indigenous Peoples Planning Framework; and (b) ensure that the Project will not involve any Resettlement.

2. The Borrower shall ensure that ANA shall 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. Prior to carrying out any activity related to any Selected Dam, the Borrower shall ensure that ANA shall enter into agreements or arrangements satisfactory to the Bank with the regional government where the pertinent Selected Dam is located, providing for the
coordination and collaboration arrangements for the establishment of CC and related WRM activities.

4. Prior to the development of any dam safety management plan for any given Selected Dam under Part 1 (c) (iv) of the Project, the Borrower shall ensure that ANA shall provide to the Bank relevant information on the dam safety status of the Selected Dam, including, but not limited to, existing operation and maintenance plans and procedures, existing findings and recommendations for any necessary remedial work, and emergency preparedness plans. If, upon the Bank's review of the aforesaid information, the Bank determines that a Selected Dam represents a high hazard case involving significant remedial work, the Borrower shall ensure that ANA shall: (a) appoint a panel of independent dam safety experts, under terms of reference satisfactory to the Bank, to review and advise on the development of the pertinent dam safety management plan for such Selected Dam; and (b) upon completion of the pertinent dam safety management plan, cause the owner of the Selected Dam to carry out said plan in accordance with its terms and in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall ensure that ANA, through its PIU, shall: (a) monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank and set forth in the Operational Manual, which Project Reports shall cover the period of one calendar semester; and (b) not later than forty-five (45) days after the end of the period covered by each such report, furnish to the Bank the pertinent Project Report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall ensure that ANA, through its PIU, shall maintain 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 shall ensure that ANA, through its PIU, shall 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 shall ensure that ANA, through its PIU, shall 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 ANA or, if applicable, such other period to be agreed with the Bank. The Borrower shall ensure that ANA, through its PIU, shall furnish to the Bank the audited Financial Statements for each such period 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 Borrower’s Ministry of Foreign Affairs, or any Peruvian authorities, as a prerequisite of bidding.

(v) The Borrower shall ensure that ANA utilizes standard bidding documents and standard evaluation forms; all 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 Borrower’s 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 consultants’ services.

(iv) The Borrower shall ensure that ANA uses standard request for proposals and standard evaluation forms, 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, hold civil service office or any other position in any agency of the Borrower (including ANA), 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 shall ensure that ANA shall: (i) supply the STEP with the information contained in the Procurement Plan within sixty (60) days after the date of this Agreement; and (ii) (A) 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, (B) 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 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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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: Allocation and Expenditures

<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) Works, goods, consultants’ services, non-consulting services, Training and Operating Costs</td>
<td>40,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>40,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this paragraph:

   (i) “Operating Costs” means the reasonable incremental operational costs (which would not have been incurred absent the Project) incurred by ANA in connection with the daily operation of the Project, including, rental and maintenance of equipment and vehicles, rental of office facilities, office utilities, supplies and materials, domestic travel and per diem of ANA staff, and laboratory services, which expenditures would not have been incurred absent the Project; and

   (ii) “Training” means the non-consultant expenditures incurred by ANA in connection with training activities, workshops and study tours under the Project, including the rental of facilities, training materials and international and domestic travel, lodging and per diem of trainers and trainees.

### B. Withdrawal Conditions; Withdrawal Period

1. 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.

2. The Closing Date is December 30, 2022.

### Section V. Other undertakings

Without limitation to the provisions of Section 5.03 of the General Conditions, the Borrower shall ensure that ANA shall provide promptly as needed, the funds, facilities, services and other resources required for the Project, as further detailed in the Operational Manual and the Borrower’s Feasibility Study (Estudio de Factibilidad).
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>October 15, 2022</td>
<td>50%</td>
</tr>
<tr>
<td>April 15, 2023</td>
<td>25%</td>
</tr>
<tr>
<td>October 15, 2023</td>
<td>12.5%</td>
</tr>
<tr>
<td>April 15, 2024</td>
<td>12.5%</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 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 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.
APPENDIX

Section I. Definitions

1. “ANA” means Autoridad Nacional del Agua, the Borrower’s National Water Authority, created pursuant to the Borrower’s Legislative Decree No. 997, dated March 13, 2008, and its successor or successors thereto.

2. “ANA’s Legislation” means collectively: (i) the Borrower’s Decree Law No. 997, dated March 13, 2008 which creates ANA, as amended by Law No. 30048, dated June 25, 2013; (ii) the Borrower’s Water Resources Law; and (iii) the Borrower’s Supreme Decree No. 006-2010-AG, dated July 8, 2010, which approves ANA’s Regulations, as amended by the Borrower’s Supreme Decree No. 012-2016-MINAGRI, dated July 22, 2016.

3. “Annual Action Plan” means any of the plans referred to in Section I.A.5 of Schedule 2 to this Agreement.


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

7. “CC” means a Consejo de Cuenca, a Borrower’s River Basin Council, created pursuant to the Borrower’s Water Resources Law (as defined below).


10. “Environmental and Social Management Framework or ESMF” means the Borrower’s framework, acceptable to the Bank, published and available to the public on the website http://www.ana.gob.pe/sites/default/files/girh/marco_de_gestion_social_y_ambiental_final.pdf on February 21, 2017, and on Bank’s InfoShop on February 21, 2017, 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 prior agreement of the Bank.

11. "Feasibility Study" means the Borrower’s appraisal document (Estudio de Factibilidad SNIP No 302961) prepared by the ANA and approved on February 22, 2017 by the Borrower’s Ministry of Economy and Finance.


13. “Indigenous Peoples Planning Framework or IPPF” means the Borrower’s framework, acceptable to the Bank, published and available to the public on the website http://www.ana.gob.pe/sites/default/files/girl/marco_de_planificacion_para_pueblos_indigenas_final.pdf on February 21, 2017, and on Bank’s InfoShop on February 21, 2017, 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.

14. “IWRM” means integrated water resources management.

15. “MINEDU” means the Borrower’s Ministry of Education.

16. “MINEDU Agreement” means the agreement entered into between ANA and MINEDU on May 30, 2016, as referred to in Section I.B.1. of Schedule 2 to this Agreement.

17. “NWRIS” means the Borrower’s National Water Resources Information System (Sistema Nacional de Información de Recursos Hidricos), created by the Water Resources Law for purposes of providing a technological platform to collate water resources data, process and analyze information to inform decisions related to water resources planning and management.

18. “Operational Manual” means the manual referred to in Section I.D of Schedule 2 to this Agreement, as said manual may be amended from time to time with the agreement of the Bank.

19. “Pilot River Basins” means a subset of the Selected River Basins, and include the river basins of Chancay-Lambayeque, Chancay-Huaral, Quilca-Chili, Tumbes, Chira-Piura, and Locumba-Sama-Caplina in the Pacific watershed, and the river basins of Alto Mayo, Mantaro, Urubamba-Vilcanota, and Pampas in the Atlantic watershed, and any other basin as agreed between the Borrower and the Bank.

20. “PIU” means the Project Implementation Unit 002 - Water Resources Management Modernization (UE-002 Modernización de la Gestión de los Recursos Hidricos) created for the Water Resources Management Modernization Project and designated as the PIU for this Project, or any successor thereto acceptable to the Bank.

22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 27, 2017 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.

23. “Project Steering Committee” or “PSC” means Grupo de Trabajo denominado Consejo Directivo the committee referred to in Section I.A.3 of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.

24. “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.

25. “Selected Dams” means six large dams (San Lorenzo, Poechos, Tinajones, Gallito Ciego, Condoroma and El Frayle) and two small dams (Huascacocho and Sutunta) located in the Borrower’s Pacific watershed, as further described in the Operational Manual.

26. “Selected River Basins” means the river basins which meet the eligibility criteria set forth in the Operational Manual to benefit as result of the activities carried out under Parts 1 (a) and 2 of the Project.

27. “SENAMHI” means Servicio Nacional de Meteorologia e Hidrologia del Peru, 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.

28. “SENAMHI Agreement” means the agreement entered into between ANA and SENAMHI on March 10, 2017, as referred to in Section I.B.2 of Schedule 2 to this Agreement.

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

31. “Water Resources Management Modernization Project” means the Project supported by Loan No. 7701-PE pursuant to the Loan Agreement entered between the Borrower and the Bank on December 3, 2009, as amended.

32. “Water Resources Monitoring Center – Level 1” means Sala de Monitoreo Hídrico Nivel 1, a center that is equipped with computers and connected to the NWRIS, to carry out analysis for planning and monitor quantity and quality of WRM in the pertinent Pilot River Basin.

33. “WRM” means water resources management.

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.”