July 5, 2011

CONFORMED COPY

His Excellency
Ismael Benavides Ferreyros
Minister of Economy and Finance
Ministry of Economy and Finance
Jr. Junín 319
Lima, Peru

Re: REPUBLIC OF PERU: Loan No. 7961-PE (Juntos Results for Nutrition Project)
Additional Instructions: Disbursement Letter

Excellency:

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and the Republic of Peru (the “Borrower”) for the above-referenced project, dated July 5, 2011. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 7961-PE (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions. Copies of this letter together with the attachments should be sent to all staff involved in the process of preparing withdrawal applications for this Project.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing:

- Reimbursement

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) months after the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.7). Please refer to the Disbursement Conditions in Schedule 2, Section IV, B of the Loan Agreement.
II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
1818 H Street, N.W.  
Washington D.C., 20433  
United States of America  
Attention: Susan G. Goldmark, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal together with supporting documents required, to the address indicated below:

The World Bank  
1818 H Street, NW  
Washington D.C., 20433  
United States of America  
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”) provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause each such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Reimbursement is US$2,000,000.
III. Reporting on Use of Financing Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
  - Regular Reports, as referred to in Schedule 2, Section II, A, 1 (b) of the Loan Agreement and in the form attached (Attachment 4) which reflects the agreed Output Payments and Health Facility Capitation Payments (as per the table in Section IV of Schedule 2 to the Loan Agreement) as well as the format and formulas prepared in accordance with the provisions established in the Operational Manual and the additional instructions provided in this letter.

IV. Other Disbursement Instructions

(i) **Retroactive Financing**

Retroactive Financing will be available for payments made prior to the date of the Loan Agreement, except that withdrawals up to an aggregate amount not to exceed $5,000,000 equivalent made for payments made within twelve months prior to the date of the Loan Agreement for Categories (1), (2) and (3).

(ii) **Output Payments – Categories 1(a) & 1 (b)**

Each Regular Report for Categories 1(a) & 1 (b) will list Output Payments as approved from the borrower government’s information system. The amounts appearing in the Regular Reports will be calculated as follows.

- **Category 1(a) will use Formula IA** – Formula IA means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the affiliation of children younger than 12 months to Juntos multiplied by Indicator IA.

- **Category 1(b) will use Formula IB** - Formula IB means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the verification of the health co-responsibilities for children younger than 36 months already affiliated to Juntos multiplied by Indicator IB.
(iii) **Capitation Payments – Category 2**

Each Regular Report for Category 2 - Health Facility Capitation Payment – will list the annual fixed and a variable amounts and applying Formula II as follows and as further illustrated in the table:

(a) for the first twelve months of the Project after Effectiveness: the amount resulting from adding the sum of multiplying the amount of 50% of the Health Facility Capitation Payments by the number of Eligible Health Facilities and the sum of multiplying the amount of 50% of Health Facility Capitation Payments by the number of Enrolled Health Facilities;

(b) for the following twelve months after the period referred to in sub-paragraph (a) above: the amount resulting from adding the sum of multiplying the amount of 50% of Health Facility Capitation Payments by the number of Enrolled Health Facilities and the sum of multiplying the amount of 50% of Health Facility Capitation Payments by Indicator II ; and

(c) for the following thirty six months after the period referred to in sub-paragraph (b) above: the amount resulting from multiplying the amount of 100% of Health Facility Capitation Payments by Indicator II.

### Modalities for annual transfer of the Health Facility Capitation Payment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td></td>
<td>50% (first six months)</td>
<td>50% (first six months)</td>
<td>List of enrolled health facilities</td>
<td>Coverage indicators (as defined in the Operation Manual) with these weights</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>50% (after twelve months)</td>
<td>Registry of enrolled health facilities</td>
<td>50% (after twelve months)</td>
<td>Coverage indicators (as defined in the Operation Manual) with these weights</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>80%</td>
<td>Coverage indicators (as defined in the Operation Manual) with these weights</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20%</td>
<td>Simultaneous coverage (at least 30%) on these indicators</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- CRED</td>
</tr>
</tbody>
</table>
(iv) Output Payments – Category 3

Each Regular Report for Categories 3 will list expenditures under eligible budget lines items as approved from the borrower government’s budget execution system - SIGA. The amounts appearing in the SIGA budget line and reflected in the Regular Reports will be used to calculate the amount of eligible output payment as follows.

Category 3(a) will use Formula IIIA – Formula IIIA means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the implementation of SIGA in each Executing Unit multiplied by Indicator IIIA.

Category 3(b) will use Formula IIIB - Formula IIIB means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the installation of a social monitoring nutrition mechanism in each municipality within a Regional Government multiplied by Indicator IIIB.

Category 3(c) will use Formula IIIC – Formula IIIC means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the establishment of a monitoring system of the capacity of Health Facilities to deliver quality health and nutrition services Health Facility multiplied by Indicator IIIC.

Category 3(d) will use Formula IIID- Formula IIID means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the early affiliation of newborns (i.e. children younger than 12 months) to SIS multiplied by Indicator IIID.

Category 3(e) will use Formula IIIE – Formula IIIE means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the verification of CRED information for children younger than 36 months multiplied by Indicator IIIE.

V. Other Important Information


If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (http://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information.
If you have any queries in relation to the above, please contact the World Bank Loan Department by sending a message to loa-lcr@worldbank.org and placing the project name and loan number in the subject line.

Yours sincerely,

By /s/ Susan G. Goldmark
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
3. Terms and Conditions of Use of Tokens
4. Sample Regular Reports

Cc with copies:

cc: Mr. Luis Miguel Castilla Rubio
    Vice Minister of Finance
    Ministry of Economy and Finance

cc: Ms. Betty Sotelo
    General Director
    National Direction of Public Indebtedness
    Ministry of Economy and Finance

cc: Mr. Roger Díaz
    Director of Public Budget
    Ministry of Economy and Finance

cc: Mr. Armando Calderon
    Director, Thematic Budget
    Direction of Public Budget
    Ministry of Economy and Finance

cc: Ms. Aida Amézaga,
    Chief
    Coordination Unit of Sectorial Loans
    Ministry of Economy and Finance

DL Prepared by: Patricia Hoyes, Senior Finance Officer
DL Reviewed and cleared by: Isabella Micali Drossos, LEGLA; Alessandra Marini, TTL