Loan Agreement

(Additional Financing for the Sierra Rural Development Project)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN AGREEMENT

Agreement, as of the Signature Date (as defined in the Appendix to the Loan Agreement) between REPUBLIC OF PERU ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities scaling up the Original Project (as defined in the Appendix to this Agreement). 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 twenty million Dollars ($20,000,000), 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 scale-up of 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 ("MEF"), or the Borrower’s Director General of Indebtedness and Public Treasury ("DGETP") of MEF, and/or any person whom he or she shall designate and communicate in writing to the Bank.

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 February 15 and August 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this 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. To this end, the Borrower shall carry out the Project through MINAG, acting through AGRO RURAL, 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
ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. Without prejudice to the provision 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 eighteen (18) months after the Bank's approval of the Loan (i.e. no later than October 2, 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 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.

5.02. The Borrower's Address is:

Ministry of Economy and Finance
Jr. Junín 319
Lima, Perú

Facsimile:

+51 (1) 626-9921

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: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED at Lima, Peru on behalf of the Bank on October 2, 2013 and at Lima, Peru on behalf of the Borrower on 4 Oct 2013.

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 assist the Borrower in improving the assets and economic conditions of rural families in selected areas of the Borrower's Apurímac, Ayacucho, Huancavelica, Junín, Huánuco and Pasco regions.

The Project consists of the following parts:

Part 1: Promotion of Rural Businesses

(a) Design and implementation of a communication and dissemination strategy of information on Rural Business Plans amongst rural producers and stakeholders.

(b) Provision of financing and technical assistance to support the preparation of viable Rural Business Plans proposals.

(c) Co-financing the carrying out of Rural Business Plans.

Part 2: Promotion of Territorial Development Plans

(a) Promotion and dissemination of information on Territorial Development Plans amongst rural communities and stakeholders in selected areas of the Borrower's territory with limited access to markets.

(b) Provision of financing and technical assistance to support the design and preparation of viable Territorial Development Plans proposals.

(c) Co-financing the carrying out of Territorial Development Plans.

Part 3: Project Management

Support AGRO RURAL in its day-to-day management of the Project, through: (i) the provision of technical advisory services; (ii) co-financing the carrying out of specific studies; (iii) supporting the coordination of the Project at subnational level; and (iv) the operation and maintenance of an adequate monitoring and evaluation system (M&E) to track progress of the project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. At all times during the execution of the Project, the Borrower, through MINAG, shall operate and maintain, until completion of the Project, a unit within AGRO RURAL to be responsible for the overall coordination and management of the Project, such unit to maintain adequate coordination and administrative staff in numbers and with qualification and experience, under terms of reference, and through competitive selection methods satisfactory to the Bank; which unit shall have the functions and responsibilities in accordance with the Operational Manual, including, inter alia, the following responsibilities:

(a) overall responsibility for implementing, planning, coordinating and monitoring of Project activities;

(b) orientation and supervision of the work of all the Project staff;

(c) carrying out of the Project’s dissemination and communication strategy;

(d) revision and updating of the Operational Manual;

(e) preparation of the Progress Reports;

(f) elaboration of the annual operational plans for the Project;

(g) carrying out of Project procurement and contracting of the required goods, works, non-consulting and consultants’ services;

(h) review and clearance of all the contracts necessary for Project execution;

(i) carrying out of the financial management of the Project, including without limitation, the issuance of financial statements and reports as per Section II of this Schedule and the preparation and maintenance of administrative, procurement and financial records;

(j) preparation and submission to the Bank of: (i) disbursement requests in accordance with Section IV and any additional instructions; and (ii) Project information and Project management reports in accordance with the formats established in the Operational Manual; and
(k) provision of assistance and documentation to external independent auditors.

2. The Borrower, through MINAG, shall establish, by no later than ninety (90) days after the Effective Date, and thereafter maintain at all times during the execution of the Project a Project Steering Committee (Consejo Directivo), presided by the Borrower’s Minister of Agriculture or its designated representative, with the overall responsibility for providing policy oversight and guidance for the implementation of the Project and with functions and composition as defined in the Operational Manual (the “Project Steering Committee”). The Project Steering Committee shall be responsible, inter alia, for:

(a) providing support and a coordination framework for the implementation of the Project;

(b) providing strategic guidelines for the implementation of the Project;

(c) overseeing the compliance with Project norms and objectives and the execution of the Project (including reviewing bi-annual Project Reports, procurement report and Project audits); and

(d) approving the selection and appointment of the Project’s Executive Coordinator and any of the six Project regional coordinators.

B. Anti-Corruption

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

C. Operational Manual

1. The Borrower, through AGRO RURAL, shall adopt within ninety (90) days after the Effective Date, an operational manual satisfactory the Bank (the Operational Manual), which shall include, inter alia:

(a) the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement, disbursement, financial, social and environmental requirements thereof);

(b) the roster of the Borrower’s regions and areas that are eligible to participate in the Project;

(c) the administrative rules and procedures for planning, preparing, proposing, contracting, financing, implementing, supervising, monitoring and evaluating Project activities and/or the Plans, including the detailed...
criteria and procedures for Plans’ selection, and the applicable term and conditions for their financing under the Project;

(d) the ESCMF, including the environmental criteria for screening and selecting Plans and the mandatory safeguards and mitigation actions for any such Plans which could possibly have a negative environmental impact;

(e) the Procurement Plan; and

(f) the list of Project monitoring and performance indicators.

2. The Borrower shall carry out the Project through AGRO RURAL in accordance with the Operational Manual.

3. The Operational Manual may be amended by the Borrower, through AGRO RURAL, subject to the prior approval of the Bank. In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Environmental and Social Provisions

Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower, through AGRO RURAL, shall:

(a) carry out the Project in accordance with the provisions and recommendations of the ESCMF (including provisions regarding pest management and social policies); and

(b) monitor, supervise and ensure that the Plans are carried out in accordance with the provisions and recommendation of the ESCMF and any agreed Plan-specific environmental, social (indigenous) and cultural mitigation plans.

E. Territorial Development Plans & Rural Business Plans

1. The Borrower, through AGRO RURAL, shall select the Plans in accordance with eligibility criteria and screening and selection procedures set forth in the Operational Manual.

2. Notwithstanding paragraph 1 of this Subsection E, prior to the carrying out of any Plan, the Borrower, through AGRO RURAL, shall enter into an agreement (the “Plan Agreement”) with the Plan beneficiary(ies), under the standard financial terms and conditions set forth in the Operational Manual, which shall include, inter alia:
(a) a description of the approved activity(ies) with its/their budget, the preparatory study(ies), and the disbursement and performance indicators;

(b) the obligation of the Plan beneficiary(ies) to: (i) carry out the activity(ies) with due diligence and efficiency, in accordance with sound administrative, financial, agricultural, social, natural and environmental standards and the provisions of the Operational Manual (including the ESCMF and/or any mitigation plans prepared thereunder) and the Anti-Corruption Guidelines; (ii) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the Operational Manual, the operations, resources and expenditures in respect of the Plan; (iii) comply with regular reporting requirements in accordance with contents and standards specified in the Operational Manual; and (iv) make a contribution in kind or/and in cash as defined in the Operational Manual (which contribution may comprise co-financing arrangements by other public entities, regional and municipal governments, and/or third parties, in which case said co-financier shall co-sign the pertinent Plan Agreement);

(c) the obligation of the Plan Beneficiary(ies) to: (i) procure all goods, works, consultants’ and non-consulting services to be financed out of the proceeds of the Loan in accordance with the procedures set forth in the Procurement Guidelines and the Consultants Guidelines, as further elaborated in this Agreement and/or the Procurement Plan; and (ii) use such goods, works, consultants’ and non-consulting services exclusively for the carrying out of the activity(ies) agreed to be financed under the approved Plan;

(d) the right of the Borrower, through AGRO RURAL, to inspect, by itself and jointly with the Bank, if the Bank shall so request, the records, documents (e.g. plans, designs, etc.), goods, construction works and physical sites related to the financed Plan, as well as the operations thereof;

(e) the right of Borrower, through AGRO RURAL, to obtain: (i) all information that the Bank may reasonably request regarding the administration, operations and financial conditions of the activity(ies) financed by the Plans; and (ii) if the Bank so request, an audited financial statements, under terms of reference acceptable to the Bank, on the beneficiary’s(ies’) use of the Plan funds; and

(f) the right of the Borrower, through AGRO RURAL, to suspend and terminate the right of Plan beneficiary(ies) to use the proceeds of the Loan; and (ii) the obligation of the beneficiary(ies) to refund any used
portion of the Loan to the Borrower, upon failure by the beneficiary(ies) to perform any of its obligations under the respective Plan Agreement.

3. The Borrower, through AGRO RURAL, shall exercise its rights and carry out its obligations under each Plan Agreement in such manner as to accomplish the purposes of the Loan and protect the rights of the Borrower and the Bank.

4. The Borrower, through AGRO RURAL, shall notify the Bank and seek its prior concurrence for any amendment and/or deviation to be introduced to a Plan Agreement that, in the opinion of the Bank, may contradict any of the foregoing requirements set forth in paragraph 2 above, and/or jeopardize the achievement of the Project’s objective. The Borrower, through AGRO RURAL, shall notify the Bank of any remedies triggered in respect of any Plan Agreement within thirty (30) days of exercising such remedies.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through AGRO RURAL, 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 indicators 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 forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through AGRO RURAL, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions. To this end, AGRO RURAL shall install, by no later than ninety (90) days after the Effective Date, the financial information system (“SIGER”) in the Project coordination office.

2. Without limitation on the provisions of Part A of this Section, the Borrower, through AGRO RURAL, shall prepare and furnish to the Bank as part of each Project Report, interim unaudited financial reports for the Project covering the pertinent semester, in form and substance satisfactory to the Bank.

3. The Borrower, through AGRO RURAL, shall have its 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 the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

4. For purposes of paragraph 3 above, the Borrower, through AGRORURAL, shall select and engage the services of an independent auditor acceptable to the Bank, under terms of reference satisfactory to the Bank, including a minimum 3-year contract.

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:
Procurement Method

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<tbody>
<tr>
<td>(a)</td>
<td>National Competitive Bidding, subject to additional provisions set forth in paragraph 3 below</td>
</tr>
<tr>
<td>(b)</td>
<td>Shopping</td>
</tr>
<tr>
<td>(c)</td>
<td>Direct contracting</td>
</tr>
<tr>
<td>(d)</td>
<td>Community Participation procedures which have been found acceptable to the Bank</td>
</tr>
</tbody>
</table>

3. Special Provisions for National Competitive Bidding. 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, works and non-consulting services with National Competitive Bidding procedures under this Section:

(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 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.

(d) Foreign bidders shall be allowed to participate in National Competitive Biddings 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 document 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.

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

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>
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<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
<td></td>
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<tr>
<td>(b) Least Cost Selection</td>
<td></td>
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<tr>
<td>(c) Selection based on Consultants' Qualifications</td>
<td></td>
</tr>
<tr>
<td>(d) Single-source Selection of consulting firms</td>
<td></td>
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<tr>
<td>(e) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank</td>
<td></td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
<td></td>
</tr>
<tr>
<td>(g) Single-source procedures for the Selection of Individual Consultants</td>
<td></td>
</tr>
</tbody>
</table>

3. 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 Consulates, the Borrower's Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.

(c) The Borrower, through AGRO RURAL, 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 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 consultant, 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.
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.

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 “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>(1) Goods, works, consultants’ services and non-consulting services, Training and Operating Costs, and amounts disbursed for Rural Business Plans for Part 1 of the Project</td>
<td>13,350,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services and non-consulting services, Training and Operating Costs, and amounts disbursed Territorial Development Plans for Part 2 of the Project</td>
<td>5,735,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
### Table

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3) Goods, consultants' services and non-consulting services, Training and Operating Costs for Part 3 of the Project</td>
<td>915,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>20,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account:
   
   (a) until the Bank has received payment in full of the Front-end Fee; and
   
   (b) for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2016.

**Section V. Additional Covenants**

Schedule 1 to the Original Loan Agreement is hereby amended in its entirety to read as set forth in Schedule 1 to this Agreement.
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>
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<tbody>
<tr>
<td>On each February 15 and August 15</td>
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<tr>
<td>Beginning on August 15, 2017 through February 15, 2021</td>
<td>12.50%</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.

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.
APPENDIX

Section I. Definitions

1. "AGRO RURAL" means the Unidad Ejecutora (Implementing Unit) Programa de Desarrollo Productivo Agrario Rural – AGRO-RURAL, within the purview of MINAG's Vice-Minister, as established by the Borrower's Legislative Decree 997, of March 13, 2008, or any successor thereto, acceptable to the Bank.


3. "Apurimac" means the Borrower's Apurimac administrative region acknowledged under Chapter XIV of the Constitución Política del Perú (Peru's Constitution).

4. "Ayacucho" means the Borrower's Ayacucho administrative region acknowledged under Chapter XIV of the Constitución Política del Perú (Peru's Constitution).

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


7. "Environmental, Social and Cultural Management Framework" and the acronym "ESCMF" mean the Borrower's safeguard framework dated April 2011, and agreed by the Bank, detailing, inter alia: (i) the procedures for the screening of Plans to determine their environmental and social impacts and the corresponding mitigation measures to be applied during the Project implementation; (ii) the pest management plan to be used whenever pesticides are used in the carrying out of Plans; and (iii) an indigenous peoples' framework setting forth the strategies, procedures, activities, and monitoring indicators addressing, in a culturally appropriate manner, indigenous peoples' concerns under the Project (including Plans). The ESCMF document may be amended by the Borrower from time to time subject to the prior approval of the Bank.

9. "Huancavelica" means the Borrower's Huancavelica administrative region acknowledged under Chapter XIV of the Constitución Política del Perú (Peru's Constitution).

10. "Huánuco" means the Borrower's Huánuco administrative region acknowledged under Chapter XIV of the Constitución Política del Perú (Peru's Constitution).

11. "Junín" means the Borrower's Junín administrative region acknowledged under Chapter XIV of the Constitución Política del Perú (Peru's Constitution).

12. "MEF" means the Ministry of Economy and Finance of the Borrower, or any successor thereto.

13. "MINAG" means the Ministry of Agriculture of the Borrower, or any successor thereto.

14. "Operating Costs" means the reasonable incremental expenses (other than consultants' and non-consulting services) incurred on account of Project implementation, management and monitoring including, but not limited to, office supplies, insurance (excluding life insurance), communications expenses, operation and maintenance of offices, vehicles, equipment and computers, supervision costs such as travel, lodging, and per diems, as well as the reasonable costs of promotional activities.

15. "Operational Manual" means the Borrower's manual for the operation of the Project, to be adopted pursuant to Section I.C of the Schedule 2 to this Agreement.

16. "Original Loan Agreement" means the loan agreement in support of the Sierra Rural Development Project between the Borrower and the Bank, dated May 26, 2008 (Loan 7443-PE), as amended.

17. "Original Project" means the project described in Schedule 1 to the Original Loan Agreement, as amended pursuant to this Agreement.

18. "Pasco" means the Borrower's Pasco administrative region acknowledged under Chapter XIV of the Constitución Política del Perú (Peru's Constitution).

19. "Plan Agreement" means any of the agreements to be entered by the Borrower, acting through AGRO RURAL, with any Plan beneficiary(ies) for the financing of a Plan, pursuant to the provisions of Section I.E.2 of Schedule 2 to this Agreement.

20. "Plans" means collectively, the Rural Business Plans and/or the Territorial Development Plans; and Subproject means, indistinctly, any one of these Plans.

22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 30, 2013 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” means the committee to be established pursuant to in Section I.A.2 of the Schedule 2 to this Agreement.

24. “Rural Business Plan” means a subproject in any of the selected municipalities of the Apurímac, Ayacucho, Huancavelica, Junín, Huánuco and Pasco regions that promotes productive alliances between regional and local stakeholders, in order to strengthen market access and competitiveness, increase productivity and production quality, create more predictable demand, provide key technological inputs, introduce new production practices, help disseminate timely market and pricing information, and/or identify and exploit emerging niche markets for: (a) agriculture (which may include activities related to, inter alia, crops, livestock, and agro-forestry); (b) nonagricultural activities (which may include aquaculture, tourism, services, handicrafts, small-scale industry, and agribusiness initiatives); or (c) for another agricultural or non-agricultural development activity that meets the objective of the Project and the eligibility criteria set forth in the Operational Manual, and that has been duly approved by the Borrower and the Bank.

25. “Signature Date” means the latest of the two dates on which the Borrower and the Bank signed the Loan Agreement and such definition applied to all references to “the date of the Loan Agreement” in the General Conditions.

26. “Territorial Development Plan” means a Plan to diversify, expand, and/or improve the assets and production of rural families in any of the selected municipalities of the Apurímac, Ayacucho, Huancavelica, Junín, Huánuco and Pasco regions having limited access to markets, aimed primarily at improving natural resource management, reducing vulnerability to risks, and increasing agricultural and livestock production for self-consumption by families and organized rural communities through: (a) improvements to increase yields (including the use of improved cultivation techniques), soil conservation and water retention methods, optimized input use, and plant protection; (b) to the extent possible, generate excess production for sale in local markets; or (c) another development activity that meets the objective of the Project and the eligibility criteria set forth in the Operational Manual, and that has been duly approved by the Borrower and the Bank.
27. "Training" means the reasonable expenditures (other than consultants and non-consulting services) incurred by the Borrower for the carrying out of training activities under the Project, including reasonable costs of travel, subsistence, and per diem for trainers and trainees (i.e. "study tours"), registration fees, and the purchase and/or printing of training materials.