His Excellency
Dr. Luis Miguel Castilla Rubio
Minister of Economy and Finance
Ministry of Economy and Finance
Jirón Junín # 319
Lima 1, Peru

July 10, 2013

Re: Peru: Loan No. 7961-PE (Juntos Results for Nutrition Project-Cierre de Brechas en Productos Priorizados dentro del Programa Articulado Nutricional)
Amendment to the Loan Agreement

Excellency,

We refer to the Loan Agreement between the Republic of Peru (the Borrower) and the International Bank for Reconstruction and Development (the Bank), dated July 5, 2011 (the Loan Agreement), with respect to the above-captioned Project. Please note that capitalized terms used in this letter (the Amendment Letter) and not defined herein have the meaning ascribed to them in the Loan Agreement.

We are pleased to inform you that pursuant to your request dated July 3, 2013 and the Aide Memoire dated April 24, 2013, the Bank hereby agrees to amend the Loan Agreement as follows:

1. Schedule 1 to the Loan Agreement is hereby amended to modify Part 1 of the Project to read in its entirety as follows:

"Part 1. Strengthening and Consolidating of Juntos for Families with Children under Thirty Six Months

Support an incentive mechanism through Output Payments for: (a) the affiliation of children younger than 12 months to Juntos; and (b) the verification of the health co-responsibilities for children younger than 36 months already affiliated to Juntos."

2. Schedule 1 to the Loan Agreement is hereby amended to modify Part 3 of the Project to read in its entirety as follows:

"Part 3. Strengthening the Borrower’s Capacity to Influence Nutritional Outcomes by Improving Budgetary Planning and Monitoring of Results for Selected Activities of the Program"
“Support an incentive mechanism to strengthen the Borrower’s budgetary planning and monitoring capacity in relation to the Program through Output Payments for: (a) the implementation of a monitoring system and planning and monitoring capacity for Health Facilities; (b) the establishment of a social monitoring of nutrition results at the municipal level; (c) the technical verification of capacity of Health Facilities; (d) the early affiliation of newborns to SIS; and (e) the verification of CRED information.”

3. Section I.A.1 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   “1. The Borrower shall carry out the Project through DGPP (as technical coordinator) and UCPS (as administrative coordinator), in accordance with this Agreement, including the Operational Manual, the Procurement Plan and the Indigenous Peoples’ Strategic Framework, and except as the Bank shall otherwise agree, shall not amend or waive any provision of these documents without the Bank’s prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail. In addition, in case of any conflict between the Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule, said additional instructions shall prevail.”

4. Section I.A.4 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   “4. The Borrower, through UCPS, shall furnish to the Bank, at least once a year during project implementation, a disbursement report (the Disbursement Report), in accordance with the provisions of the Operational Manual (including the Indicators), and the additional instructions referred to in Section IV.A.1 of this Schedule.”

5. Section I.A.5 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   “5. The Borrower, through UCPS, shall prepare and furnish to the Bank a procurement report (the Procurement Plan Report) confirming that all procurement activities under the Parts 1 and 3 of the Project have been carried out in accordance with the Procurement Plan. Each Procurement Plan Report shall cover the period of one calendar year and shall be furnished to the Bank by the Borrower not later than four months after the end of said calendar year.”

6. Section I.A.7 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   “7. Without limitation to the pertinent provisions of the General Conditions, if, at any time, the Bank determines that any portion of the Loan proceeds: (a) was used to finance items under Parts 1 and 3 of the Project that were improperly procured in violation of Section III to this Schedule; and/or (b) was not used to finance Output Payments and/or Health Facility Capitation Payments; and/or (c) was not supported by evidence of actual results achieved by the Borrower under the Disbursement Reports and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the
Operational Manual, the Borrower shall promptly refund any such portion to the Bank as the Bank shall specify by notice to the Borrower.”

7. Section II.A.1 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“1. The Borrower through DGPP and with the support of UCPS 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: (a) the Monitoring Indicators set forth in the Operational Manual; (b) the Disbursement Reports; (c) the Procurement Plan Reports; and (d) the Indigenous Peoples’ Strategic Framework. Each Project Report shall cover the period of one calendar year (January 1 to December 31) and shall be furnished to the Bank by the Borrower through UCPS not later than four months after the end of the period covered by such reports.”

8. Section II.B.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare, through DGPP, and furnish to the Bank, through UCPS, not later than four months after the end of each calendar year, interim unaudited financial reports for the Project covering said calendar year, in form and substance satisfactory to the Bank.”

9. Paragraphs 1 and 2 of Section III.A of Schedule 2 to the Loan Agreement are hereby amended to read in their entirety as follows:

“1. Goods and Non-Consultant Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan (as included in the Procurement Plan) 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 (as included in the Procurement Plan) 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.”

10. Section IV.A.1 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“1. The Borrower through DGETP 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 or reimburse Eligible Expenditures as set forth in the table in paragraph 2 below.”
11. Section V.B of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   "B. Mid-Term Review

   By June 30, 2014, or such other date as the Bank shall agree upon, the Borrower through DGPP shall: (i) carry out jointly with the Bank, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Bank."

12. A new Section V.D of Schedule 2 to the Loan Agreement is hereby added to read in its entirety as follows:

   "D. Technical Audit

   For purposes of carrying out annual technical audits of the Project, the Borrower, through UCPS shall: (a) not later than September 30, 2013, hire independent auditors, with experience and qualifications acceptable to the Bank. Each such technical audit shall cover the period of one fiscal year of the Borrower, or such other period agreed with the Bank, and shall include, inter alia: (i) a technical assessment of the Output Payments and Health Facility Capitation Payments, including the verification of the reliability of the sources of information used to calculate said Output Payments and Health Facility Capitation Payments, and the review of the adequacy of internal controls and supporting documentation of said Output Payments and Health Facility Capitation Payments; and (ii) a review of the methodology to determine the unit costs for Output Payments and Health Facility Capitation Payments, and, if needed, the presentation of a proposal to adjust said unit costs; and (b) not later than nine months after the end of the period covered by each such audit, prepare and furnish to the Bank, a report of such scope and in such detail as the Bank shall reasonably request concerning the result of the pertinent technical audit."

13. Section I of the Appendix to the Loan Agreement is hereby amended to:

   (a) delete the following definitions: "Eligible Budget Lines" and "Regular Reports" (as a result, subsequent definitions are renumbered);

   (b) add the following definition (as a result, subsequent definitions are renumbered):

   "'Disbursement Report' means any report presented by the Borrower as referred to under Section I.A.4 of Schedule 2 to this Agreement and as further detailed in the Operational Manual and the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement."

   and

   (c) modify the following definitions:
(i) "Output" means any set of activities which consist of the reasonable cost of goods, operating expenditures and/or consultant's services eligible for financing out of the proceeds of the Loan as set forth in the Operational Manual in respect of Parts 1 and 3 of the Project."

(ii) "Output Payments" means payments eligible for financing out of the proceeds of the Loan for Outputs as further detailed in the Operational Manual."

(iii) "UCPS" means Unidad de Coordinación de Préstamos Sectoriales, the Borrower's coordination unit for sectorial loans within its Ministry of Economy and Finance, or any other entity that would replace it during the implementation of the Project, in charge of carrying out day-to-day financial management and procurement for Parts 1 and 3 of the Project and presenting the Disbursement Reports to the Bank, as further described in the Operational Manual and the additional instructions referred to in Section IV. A. 1 of Schedule 2 to this Agreement."

14. A new Section III of the Appendix to the Loan Agreement is hereby added to read in its entirety as follows:

"Section III. Modifications to the General Conditions

Paragraph (a) of Section 2.05 of the General Conditions is modified to read as follows:

"Section 2.05. Eligible Expenditures

(a) the payment is for the financing of Output Payments and/or Health Facility Capitation Payments (as said terms are defined in the Loan Agreement) required for the Project, to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreement;"

All other provisions of the Loan Agreement, except as amended in this Amendment Letter, shall remain in full force and effect.

Please confirm your agreement with the foregoing, on behalf of the Borrower, by signing, dating, and returning to us the enclosed copy of this Amendment Letter. The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon receipt by the Bank of: (a) one fully executed original of this Amendment Letter; and (b) evidence satisfactory to the Bank that the Operational Manual (as defined in the Loan Agreement) has been amended in accordance with the provisions of this Amendment Letter. Upon compliance with the above mentioned conditions, the Bank will send a notice of effectiveness to the Borrower.
Please also note that the restructuring paper dated July 8, 2013 shall be disclosed on the Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]

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

AGREED:

REPUBLIC OF PERU

By: [Signature]
Authorized Representative

Name: VALENTIN COBEÑAS AQUINO
Director General (b)
Dirección General de Endudamiento y Tesoro Público

Title:

Date: 1 JUL 2013