



LOAN NUMBER 8517-PE

Loan Agreement

(Lima Metro Line 2 Project – Construcción de la Línea 2 y Ramal Av. Faucett-Gambetta de la Red Básica del Metro de Lima y Callao, Provincias de Lima y Callao, Departamento de Lima)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated APRIL 12, 2016

LOAN AGREEMENT

Agreement dated APRIL 12, 2016, between the REPUBLIC OF PERU (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

WHEREAS the Borrower intends to obtain from the Inter-American Development Bank (IADB) a loan (the IADB Loan), in an amount equivalent to \$300,000,000 United States Dollars to assist in the financing of the Project on the terms and conditions set forth in the Co-financing Agreement providing for the IADB Loan, to be entered into between the Borrower and the IADB.

WHEREAS the Borrower intends to obtain from the Development Bank of Latin America (CAF) a loan (the CAF Loan), in an amount equivalent to \$150,000,000 United States Dollars to assist in the financing of the Project on the terms and conditions set forth in the Co-financing Agreement providing for the CAF Loan, to be entered into between the Borrower and the CAF.

Therefore, 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 three hundred million United States Dollars (\$300,000,000), 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 Minister of Economy and Finance or the Borrower's Director of Indebtedness and Public Treasury of its Ministry of Economy and Finance, 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 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 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 (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 May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in 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 carry out the Project, through MTC (through AATE), 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 is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consist of the following, namely, that the Lima Metro Line 2 Concession Agreement has been amended, suspended, terminated, abrogated, repealed, waived, whether in whole or in part, or the Borrower failed to enforce or comply with, any of its provisions, that following consultation with the Borrower and in the sole opinion of the Bank, may affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.
- 4.02. The Additional Events of Acceleration consist of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of ninety (90) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Independent Supervision Agency referred to in Section I.A.6 of this Agreement has been hired.
 - (b) the Operational Manual has been adopted by MTC, OSITRAN (for those aspects relevant to OSITRAN's role in the Project) and AATE.

- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided in Section 2.02 of this Agreement, 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.

- 6.02. The Borrower's Address is:

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

Facsimile:
(511) 626-9921

With copies to:

Ministry of Transport and Communications
Jr. Zorritos 1203
Cercado
Lima, Peru

Facsimile:
(511) 615-7578

*Autoridad Autónoma del Sistema Eléctrico de Transporte Masivo
de Lima y Callao (AATE)*
Av. Aviación 2494
San Borja
Lima, Peru

Facsimile:
(511) 224-2444

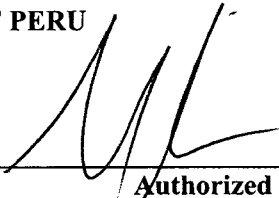
6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at LIMA, REPUBLIC OF PERU as of the day and year first
above written.

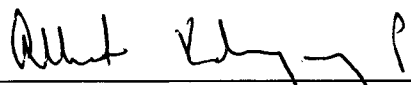
REPUBLIC OF PERU

By 
Authorized Representative

Name ALONSO SEGURA VASI

Title MINISTRO DE ECONOMÍA Y FINANZAS

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 
Authorized Representative

Name ALBERTO RODRIGUEZ

Title COUNTRY DIRECTOR

SCHEDULE 1

Project Description

The objective of the Project is to provide a major east-west axis (*Ate-Lima-Callao*) of the Lima-Callao Metropolitan Region with a modern and integrated mass transit system that will improve accessibility to jobs and services in the area of influence of the Lima Metro Line 2 and the *Gambetta* Branch of Line 4.

The Project consists of the following single Part:

Support for the Construction of the Lima Metro Line 2

Provision of support for the construction of the Lima Metro Line 2, which shall include: (a) the construction of 35 stations with, at a minimum, physical integration to the existing Metro Line 1 and *Metropolitano* BRT; (b) construction of approximately 27.3 km of tunnel along the Line 2 corridor with one rail yard; (c) construction of approximately 7.7 km segment of the future Line 4 with one rail yard; and (d) the provision and installation of the necessary rolling stock, electrical, control, telecommunications, and fare systems for operation of the Metro Line 2.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MTC (through AATE) shall maintain at all times during the execution and until completion of the Project a structure with key staff and responsibilities acceptable to the Bank, as described in the Operational Manual, including management and coordination of the Project (including coordination with Co-financers), coordination of the strategy for citizen engagement and communications and, the oversight of grievance redress mechanism.
2. The Borrower, through MTC, AATE and OSITRAN, shall adopt and carry out the Project in accordance with a manual (the Operational Manual), satisfactory to the Bank, which shall include supervision and reporting requirements for the carrying out of the Project, including the following: (a) the description of Project implementation activities and institutional arrangements of the Project, including details regarding the respective roles of MTC, AATE and OSITRAN; (b) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects), and disbursement procedures; (c) the Safeguard Instruments; (d) the monitoring indicators for the Project; (e) organization and staffing of the finance and administrative units of MTC and AATE; (f) detailed process and procedures for budget preparation and approval, including coordination between MTC, AATE and OSITRAN; (g) harmonized financial reporting, including content and format of the joint financial statements; (h) harmonized auditing arrangements, including single set of audit terms of reference; and (i) terms of reference for the hiring of the international consulting firm that will assist OSITRAN in the supervision of the technical aspects of the Lima Metro Line 2 Concession Agreement. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.
3. The Borrower, through MTC shall, not later than six (6) months after the Effective Date: (a) prepare and furnish to the Bank a plan already approved for the institutional strengthening of AATE and other national agencies involved in the planning, implementation and supervision of the future Lima Metro network, including the consolidation of teams with adequate capacity to manage and report on, *inter alia*: (i) status and changes to the Concession Agreement; (ii) loan disbursements; (iii) physical and financial progress of the project; (iv) monitoring, evaluation and reporting of the Project; (v) social and environmental safeguards; (vi) coordinated strategy for social participation and

communication; (vii) monitoring mechanisms for dispute resolution; and (b) provide for adequate financing of measures included in said plan.

4. The Borrower, through AATE shall, not later than six (6) months after the Effective Date: (a) prepare and furnish to the Bank an approved plan, including an implementation schedule, for the multi-modal integration of transport services and accessibility for the initial phase of the Lima Metro Line 2 (Phase 1A and 1B of the Project); and (b) provide for adequate financing of measures included in said plan.
5. The Borrower, through MTC and AATE shall, not later than six (6) months after the Effective Date, enter into a tripartite framework agreement, under terms and conditions acceptable to the Bank, with the Municipalities of Lima and Callao to establish commitments on, *inter alia*: (a) plans and mechanisms for the physical integration of the Lima Metro Lines 1, 2, and the *Metropolitano* BRT and other bus systems; (b) studies for the establishment of an integrated single fare ticket between Metro Lines 1, 2, and *Metropolitano* BRT; (c) the reorganization of feeder bus routes and regulation of public transport services around Lima Metro Line 2; and (d) plans for the improvement of public spaces and facilities for pedestrian, bicycles and traffic management around stations conforming Lima Metro Line 2.
6. The Borrower shall cause OSITRAN to select and contract, and thereafter maintain throughout the Project, a supervision firm, independent from the Borrower (Independent Supervision Agency) with experience and qualifications acceptable to the Bank, for the provision of supervision support to OSITRAN, particularly focused on the design, construction, social-environmental and safety management aspects of the Project, all in accordance with the specifications included in the Operational Manual.
7. The Borrower shall promptly inform the Bank, following the procedures established in the Operational Manual, of any material modifications to the Lima Metro Line 2 Concession Agreement, including, without limitations: (a) a material extension of the stipulated time for performance of the Concession Agreement; (b) substantial modifications of the scope of the terms and conditions of the Concession Agreement that in the opinion of the Bank materially affects the obligations set forth in the Loan Agreement; (c) modifications or amendments to the Concession Agreement that singly or jointly result in an increase of the original value of the Concession Agreement by more than 15%; and (d) a proposed termination of the Concession Contract.

B. Anti-Corruption

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

C. Safeguards

1. Without limitation to the provisions of paragraph 1 above, the Borrower, through MTC (through AATE) shall ensure that the Concessionaire shall: (a) carry out the Project in accordance with the provisions and requirements of the Safeguard Instruments, in a manner to adequately mitigate any adverse environmental, social, health and safety impacts caused by the design, construction and/or operation of the Project; and (b) establish and maintain throughout Project implementation, adequate institutional capacity, including staff and systems as shall be necessary to fully implement, manage, coordinate and monitor the implementation of the Safeguard Instruments.
2. The Borrower, through MTC (through AATE), prior to the commencement of the civil works for a specific Phase of the Lima Metro Line 2 under the Project, shall ensure that: (a) if land acquisition or resettlement is necessary for carrying out the works on such respective Phase, a corresponding RAP is prepared in form and substance satisfactory to the Bank (which RAP shall be prepared in accordance with the provisions of the PACRI) and all resettlement measures set forth in the applicable RAP shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all displaced persons; (b) all land acquisition required for such civil works shall have been concluded and such land shall be free of encumbrances and ready to be handed over, all in a manner acceptable to the Bank; and (c) all plans, programs and actions as required by the applicable Safeguards Instruments have been fully developed and shall have entered into effect.
3. Without limitation to the provisions of this Section, the Borrower shall, through MTC (through AATE) in coordination with the Concessionaire: (a) maintain and publicize the availability of grievance procedures for purposes of handling complaints raised in relation with the implementation of the Project; and (b) thereafter take all measures necessary to implement the decisions made by the Borrower, through AATE, under such grievance procedures, in accordance with the Safeguard Instruments and in a manner acceptable to the Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Borrower, through AATE, 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 indicators included in the Operational Manual and acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through AATE, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions, as described in the Operational Manual.
2. Without limitation on the provisions of Part A of this Section, the Borrower, through AATE, 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, through AATE, 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, or any other period agreed with the Co-Financers and the Bank (not exceeding 18 months). The audited Financial Statements for each such period shall be furnished to the Bank not later than four (4) 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, as the case may be.

B. Particular Methods of Procurement of Goods, Works, Non-consulting Services and Consulting Services

1. **Public Private Partnership Arrangements.** Goods, works, non-consulting services and consultant services shall be procured under contracts awarded on the

basis of Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Bank, as set forth in Paragraph 3.14(a) of the Procurement Guidelines.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower, through MTC (through AATE), 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.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (exclusive of Taxes)</u>
Goods, works, non-consulting services and consultant services	300,000,000	100%
TOTAL AMOUNT	300,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$60,000,000 equivalent may be made for payments made prior to this date but on or after February 25, 2015 (but in no case more than one year prior to the date of this Agreement), for Eligible Expenditures.

2. The Closing Date is December 31, 2021.

C. Other Undertakings

The Borrower shall, not later than January 31 of each year of Project implementation, furnish to the Bank a financial plan, acceptable to the Bank, for the upcoming Fiscal Year of the Borrower, showing cost estimates and sources of funding for the completion of works and other Project activities planned for the respective Fiscal Year.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each May 15 and November 15 Beginning May 15, 2021 through May 15, 2031	4.55%
On November 15, 2031	4.45%

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 (2) 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: (a) 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 (b) 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. "AATE" means *Autoridad Autónoma del Sistema Eléctrico de Transporte Masivo de Lima y Callao*, the Borrower's Executing Agency for the Electric System of Massive Transportation of Lima and Callao, created as a special project by Urgency Decree No. 063-2009.
2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "Co-financiers" means the Inter-American Development Bank and the Development Bank of Latin America (*Corporación Andina de Fomento - CAF*).
5. "Co-financing" means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of \$450,000,000 to be provided by the Co-financier to assist in financing the Project.
6. "Co-financing Agreements" means the agreements to be entered into between the Borrower and the Co-financiers providing for the Co-financing.
7. "Concessionaire" means *Metro de Lima Línea 2, S.A.*, Lima Metro Line 2 a company (*Concesionario*) registered in the Borrower's territory pursuant to writing N° 13212416 dated April 15, 2014 and constituted by *COSAPI S.A.*, *SALINI IMPREGILO S.P.A.*, *IRIDIUM CONCESIONES DE INFRAESTRUCTURA S.A.*, *VIALIA SOCIEDAD GESTORA DE CONCESIONES DE INFRAESTRUCTURA S.L.*, *ANSALDOBREDA S.P.A.* and *ANSALDO STS S.P.A.*
8. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
9. "EIA" or "Environmental Impact Assessment" means "*Estudio de Impacto Ambiental Semi-Detallado del Proyecto de Construcción de la Línea 2 y Ramal Av. Faucett-Gambetta de la Red Básica del Metro de Lima y Callao*" as approved by DGASA through Resolution No. 459-2013-MTC on November 11, 2013, acceptable to the Bank and published in MTC's website on November 11, 2013 and in Infoshop on November 24, 2014, which includes an environmental and social mitigation plan incorporating programs and measures for solid and liquid

waste management, air emissions, noise, vibrations, green areas, community health, environmental liabilities, worker health and safety, traffic management, infrastructure services, training, spill and contingencies, emergencies, environmental monitoring, community participation, community relations, local contracting, purchase of local services and closure.

10. "ESMM" or "Environmental and Social Management Manual" means the chapter of the Operational Manual that describes the measures to manage potential direct and indirect environmental, social, health and safety risks associated with the implementation of the Project, together with the adequate institutional, monitoring and reporting arrangements to comply with: (i) the EIA and the Supplemental EIA; (ii) the PACRI and the applicable RAP; (iii) environmental, social, and health and safety requirements established in the Lima Metro Line 2 Concession Agreement; (iv) Bank's Safeguards Policies OP/BP 4.01 (Environmental Assessment), OP/BP 4.09 (Pest Management), OP/BP 4.11 (Physical Cultural Resources) and OP/BP 4.12 (Involuntary Resettlement), set forth in the Bank's Operational Manual (www.WorldBank.org/opmanual); and (v) when necessary, with a site-specific action plan prepared in accordance with the respective Safeguard Instrument, to fulfill the requirements set forth in (i), (ii), (iii) and (iv) above.
11. "Fiscal Year" means the fiscal year of the Borrower starting on January 1st each year and ending on December 31st of the same calendar year.
12. "*Gambetta Branch of Line 4*" means the future branch of Line 4 of the Lima Metro to be located in the road axis of *Faucett Avenue* from *Oscar R. Benavides Avenue* to *Ovalo 200 Millas* in *Gambetta Avenue*, that will consist of approximately 7.7 km and that will include the following stations: *Gambetta, Canta Callao, Bocanegra, Aeropuerto, El Olivar, Quilca, Morales Duárez, and Carmen de la Legua-L4*.
13. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
14. "Independent Supervision Agency" means the agency referred to in Section I.A.5 of Schedule 2 to this Agreement.
15. "Lima Metro Line 2" means the proposed east-west corridor of the Lima Metro system connecting the eastern district of *Ate-Vitarte* with the constitutional province of Callao including the central districts of Lima and the port of Callao, covering the following districts: *Ate, Santa Anita, San Luis, El Agustino, La Victoria, Breña, Jesús María, Lima, San Miguel, La Perla, Bellavista, Carmen de la Legua, and Callao*.

16. "Lima Metro Line 2 Concession Agreement" means the agreement for the design, construction, operation and maintenance of the 35 km Metro Line 2 and future branch of Line 4 of the Lima Metro, entered into between the Borrower, acting through MTC, and the "*Sociedad Concesionario Metro de Lima Linea 2, S.A.*" and signed on April 28, 2014.
17. "Lima-Callao Metropolitan Region" means the Municipality of Lima and the Constitutional Province of Callao.
18. "*Metropolitano* BRT" means Lima's bus rapid transit integrated transport system.
19. "MTC" means *Ministerio de Transportes y Comunicaciones*, the Borrower's Ministry of Transport and Communications.
20. "Operational Manual" means the manual referred to in Section I.A of Schedule 2 to this Agreement.
21. "OSITRAN" means *Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público*, the Borrower's agency in charge of supervision infrastructure investments in the transport sector, created pursuant to Law No. 26917 of January 22 of 1998.
22. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
23. "RAP" or "Resettlement Action Plan" means: (i) the Borrower's resettlement action plan for Phase 1 of the Project (as such "Phase 1A" of the Project is defined in the Lima Metro Line 2 Concession Agreement), acceptable to the Bank and approved according to the Borrower's legislation, published in the Bank's InfoShop on February 11, 2015 and in the Borrower's website on March 06, 2015 (<http://www.mtc.gob.pe>), as such plan may be amended from time to time with the prior approval of the Bank, which includes, *inter alia*: (i) a program of actions, measures and policies for compensation of persons, including compensation arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site; or (ii) any site-specific resettlement action plan, acceptable to the Bank, prepared under the Project in accordance with the PACRI and local legislation, describing a program of actions, measures and policies for compensation of persons, including compensation arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site, collectively referred to as "RAPs".

24. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) 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 (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
25. "Resettlement Framework or PACRI" means *Plan de Compensación y Reasentamiento Voluntario* the Borrower's involuntary resettlement framework for the Project acceptable to the Bank and approved according to the Borrower's legislation, approved and published in the Bank's InfoShop and in AATE's website on November 11, 2013, as such framework may be amended from time to time with the prior approval of the Bank, which includes, *inter alia*, specific guidelines and procedures to be followed in the event that Resettlement is caused during Project implementation.
26. "Safeguard Instruments" means: (i) the Environmental Impact Assessment (EIA); (ii) Supplemental EIA; (iii) the Environmental and Social Management Manual (ESMM); (iv) the Resettlement Policy Framework (PACRI); (v) the applicable Resettlement Action Plan (RAP); and (vi) the environmental, social and health and safety requirements established in the Lima Metro Line 2 Concession Agreement.
27. "Supplemental EIA" means "*Análisis Complementario al Estudio de Impacto Ambiental Semi-Detallado del Proyecto Construcción de la Línea 2 y Ramal Av. Faucett-Gambetta de la Red Básica del Metro de Lima y Callao, Provincias de Lima y Callao, Departamento de Lima*" the Borrower's complementary assessment dated October 31, 2014, acceptable to the Bank and approved according to the Borrower's legislation, published and available to the public in the Bank's InfoShop on November 24, 2014, and in MTC's website on March 31, 2015 (<http://www.mtc.gob.pe>).

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 (60) 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 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”.