

PE - Cusco Region at Dev (96160)

The World Bank INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL DEVELOPMENT ASSOCIATION 1818 H Street N.W. Washington, D.C. 20433 U.S.A.

(202) 473-1000 Cable Address: INTBAFRAD Cable Address: INDEVAS

June 8, 2012

Mr. Luis Miguel Castilla Rubio Minister of Economy and Finance Ministry of Economy and Finance Jr. Junín 319 Lima, Peru

Re: PERU: SFLAC Grant for the Cusco Regional Development Project -PRODER-CUSCO- (Formerly Vilcanota II Project) Preparation SFLAC Grant No.TF096160 Amendment to the Grant Agreement

Excellency,

We refer to the Grant Agreement between the International Bank for Reconstruction and Development (the "World Bank") and Republic of Peru (the "Recipient") dated February 17, 2011 and countersigned on March 30, 2011, with respect to the above-captioned Project ("Agreement"). Capitalized terms used in this amendment letter (the "Amendment Letter") and not defined herein have the meaning ascribed to them in the Agreement.

We also refer to the letter received from your Ministry, dated May 17, 2012 (Oficio No. 539-2012-EF/52.04), wherein a request is made to amend the Agreement. We are pleased to inform you that the World Bank agrees to your request and consequently proposes to amend the Agreement as follows:

1. All references to "Vilcanota II Project" are hereby amended and replaced throughout out the Agreement by "Cusco Regional Development Project (PRODER-CUSCO)".

2. Section 1.02 (l) of the Agreement is hereby amended and replaced to read in its entirety as follows:

"Cusco Regional Development Project" means the PRODER-CUSCO Project, the Cusco Regional Development Project currently under preparation."

3. Section 1.02 (m) of the Agreement is hereby deleted.

4. Section 2.02 of the Agreement is hereby amended and replaced to read in its entirety as follows:

"2.02. Project Execution Generally. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the GRC, through COPESCO ("Project Implementing Entity" or "PIE") to:

(a) carry out the Project in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 ("Anti-

Corruption Guidelines”) with the modifications set forth in the Appendix to this Agreement; (iii) this Article II; (iv) the Transfer of Funds Agreement; and (v) the Project Operation Manual; and

(b) without limitation to the provisions of Section 2.01 (b) of the Standard Conditions, allocate and make available (in cash or in kind) throughout Project implementation, the amount of two million United States Dollars (approximately five million five hundred *Nuevos Soles*) as counterpart funding required for Project implementation.”

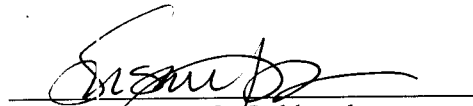
5. Section 4.03 of the Agreement is hereby amended and replaced to read in its entirety as follows:

“4.03. **Termination for Lack of Implementation or Disbursement.** This Agreement and all obligations of the parties under it shall terminate if: (a) the Grant has not been countersigned before March 31, 2011; (b) it has not been implemented or has not disbursed any funds after 6 months of its countersignature; (c) the Cusco Regional Project is approved by the World Bank’s Board; (d) GRC has failed to provide the necessary counterpart funds for Project implementation, as provided in Section 2.02 (b) of this Agreement; and/or (e) SFLAC Secretariat has determined that there is lack of progress in the implementation of this Project, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.”

Please confirm your agreement with the foregoing amendment by signing and dating this letter in the spaces provided below. This Amendment Letter shall be executed in two counterparts, each of which shall be an original. The provisions of this Amendment Letter shall become effective upon receipt by the World Bank of one fully executed original of this Amendment Letter. All other provisions of the Agreement, except as amended through this letter shall remain in full force and effect.

Very truly yours,

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**



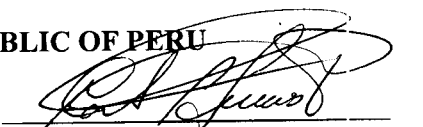
Susan G. Goldmark  
Director

Bolivia, Chile, Ecuador, Peru and Venezuela  
Latin America and the Caribbean Region

**AGREED:**

**REPUBLIC OF PERU**

By:

  
Authorized Representative  
**CARLOS LINARES PENALOZA**  
Director General

Name: ~~Dirección General de Endeudamiento y Tesoro Público~~

Title: \_\_\_\_\_

Date: June 26, 2012