
LOAN NUMBER 7701-PE

Loan Agreement

(Water Resources Management Modernization Project)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 3, 2009

LOAN AGREEMENT

Agreement dated December 3, 2009, between REPUBLIC OF PERU ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). 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 ten million Dollars (\$10,000,000), 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 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.
- 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 LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (d) of the General Conditions.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
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- 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 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; and (iii) the setting of limits on the Variable 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.
- (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.
- 2.08. The Borrower's Minister of Economy and Finance or the Borrower's Director of Public Indebtedness, or any person whom any of them shall designate in writing is designated as the representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article II of the General Conditions.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall cause ANA (the "Project Implementing Entity"), through the PIU, to carry out the Project, in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 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 consists of the following, namely, that the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ANA to perform any of its obligations under the Project Agreement.

- 4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. Without prejudice to the provisions 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 the eighteen (18) months after the Bank's approval of the Loan which expire on January 3, 2011.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's representative is its Minister of Economy and Finance, provided that the Borrower's Director of Public Indebtedness may, by him or herself, represent the Borrower to sign amendments to this Agreement which are considered of an administrative and non-financial nature. The signing by such Director of an amendment shall constitute a representation by the Borrower that any such amendment 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
Lima, Perú

Facsimile: (511) 626-9921

- 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.

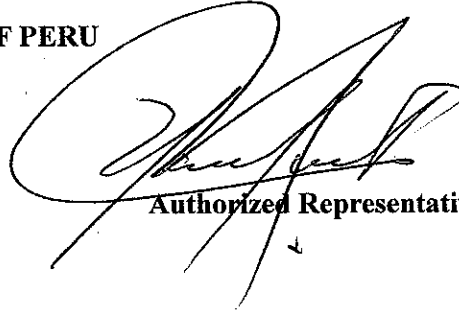
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AGREED at Lima, Peru, as of the day and year first above written.

REPUBLIC OF PERU

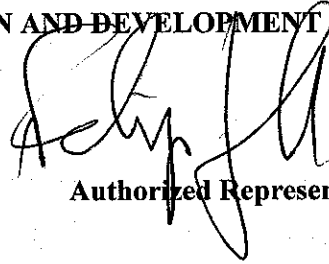
By



Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the management of water resources through the strengthening of the Borrower's capacity for participatory, integrated, basin-scale water resources management (WRM) at the Borrower's national level and in Selected River Basins.

The Project consists of the following parts:

Part 1. Improving WRM Capacity at the National Level

- A. (i) Strengthening ANA's capacity through the provision of technical assistance, the financing of equipment and the hiring of consultants, including, *inter alia*: (A) a general Project coordinator; (B) a coordinator for the water information system and hydro-meteorological data systems; (C) a coordinator of the *Cultura de Agua* Program; (D) a coordinator of participatory water resources management planning; (E) an administration specialist; (F) a monitoring and evaluation specialist, (G) a procurement officer; (H) a disbursement officer and (I) an accountant; (ii) carrying out of a study for financing WRM functions at the national and river basin levels; and (iii) carrying out of Project audits.
- B. Establishing the national water information system through the provision of technical assistance, training, equipment and software, through: (i) the design of the system; (ii) the establishment of ANA and ALAs nodes; and (iii) the strengthening of SENAMHI nodes.
- C. Formulation of a national strategy for water quality management.
- D. Carrying out of activities aimed at promoting the *Cultura del Agua* Program, including, *inter alia*:
 - (i) the design and implementation of an awareness program targeting the general public in up to ten river basins of the Borrower's coastal area;
 - (ii) capacity building of decision makers in WRM in up to ten river basins of the Borrower's coastal area, including the carrying out of study tours;
 - (iii) capacity building of water professionals, including, *inter alia*: (a) carrying out an independent needs assessment of the ANA's requirements to be able to deliver WRM in a high quality way and a skill inventory to identify the gaps between needs and skills availability; and (b) the formulation and implementation of a capacity building program to fill these gaps, including the carrying out of study tours.

Part 2. Improving WRM in Selected River Basins

- A. Carrying out of the following activities in the Pilot River Basins:
- (i) Adaptation of the institutional organization, composition and functions of the AAAs, ALAs and CCs in each Pilot River Basin based on the local context, including coordination and accountability mechanisms among these entities and other stakeholders.
 - (ii) Development of operational management instruments for ALAs and CCs.
 - (iii) Setting-up of a local core team in each of the AAAs and ALAs.
 - (iv) Carrying out a study for financing WRM functions in the Pilot River Basins.
 - (v) Development and improvement of WRM plans and hydrological and decision making models.
 - (vi) Development of operation and maintenance plans for major hydraulic infrastructure.
 - (vii) Provision of technical assistance to: (a) update agricultural water rights; (b) formalize non-agricultural water rights; and (c) develop procedures for monitoring water users' compliance and enforcing the terms and conditions of water rights entitlement.
 - (viii) (a) Upgrading of the meteorological and hydrological observation networks and data transmission systems; and (b) strengthening the capacity of SENAMHI's regional offices.
 - (ix) Development of a water quality management program for the Chili river basin and discharge monitoring programs for Chili and Chancay-Lambayeque river basins.
 - (x) Provision of training, technical assistance and goods to promote the *Cultura del Agua* Program including, *inter alia*: (i) the introduction of courses promoting the *Cultura del Agua* Program in the standard curriculum of primary and secondary schools; (ii) the production and distribution of didactic materials; and (iii) the training of teachers.
 - (xi) Carrying out of works and provision of goods for small emergency maintenance, repair or replacement interventions on small hydraulic works and equipment.

- B. Discussion, improvement and validation of preliminary diagnostics and water management plans with key water stakeholders in four of the Selected River Basins.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, not later than 30 days after the Effective Date, create and thereafter maintain, until completion of the Project, a Project Steering Committee to oversee the implementation of the Project and approve annual operational plans. Said committee shall have membership and functions detailed in the Operational Manual.
2. The Borrower shall promptly transfer the proceeds of the Loan to ANA through its budgetary mechanisms.
3. Not later than 60 days after the signing of this Agreement, the Borrower shall create a project implementation unit ("PIU"), with administrative, financial and budgetary autonomy.

B. Implementation Agreements

The Borrower shall exercise its rights and carry out its obligations under the MINEDU Agreement and the SENAMHI Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the MINEDU Agreement, the SENAMHI Agreement or any of their provisions.

C. Anti-Corruption

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

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than June 30, 2015.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower 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 months after the end of such period. The Borrower may, or may cause ANA through its PIU to, hire the auditors to carry out the audits of two or more fiscal years through a single contract.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works (including non-consultant 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works (Including Non-Consultant Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works (including non-consultant services) shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2. **Other Methods of Procurement of Goods and Works (including Non-Consultant Services).** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works (including non-consultant services). The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to the additional provisions set forth in Part E of this Section III.
(b) Shopping
(c) Direct Contracting

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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Quality-Based Selection
(b) Selection based on the Consultant's Qualifications
(c) Single Source Selection
(d) Least-Cost Selection
(e) Fixed Budget Selection

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.

E. Special Provisions

1. 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-consultants' 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.
 - (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 not be required to authenticate (*legalizar*) their bidding documents or any documentation related to such bidding documents with either Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a prerequisite of bidding.
 - (e) The Borrower shall use standard bidding documents and standard evaluation formats, all satisfactory to the Bank.

2. 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 either Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.
 - (c) The Borrower 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 hired for the Project, 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 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.

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.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) Works, goods, consultants' services, Training and Operating Costs for the Project except those included in Category (2) below	8,000,000	100%
(2) Goods, works, consultants' services, Training and Operating Costs for the Project under Part 1.B(iii) and 2.A (viii) of the Project	2,000,000	100%
TOTAL AMOUNT	10,000,000	

3. For the purposes of this paragraph:

- (i) "Operating Costs" means the non-consultant expenditures incurred by ANA in connection with the daily operation of the Project, including, rental and maintenance of equipment and vehicles, rental of office facilities, office utilities, supplies and materials, domestic travel and *per diem* of ANA staff, and laboratory services, which expenditures would not have been incurred absent the Project; and
- (ii) "Training" means the non-consultant expenditures incurred by ANA and SENAMHI in connection with training activities, workshops and study tours under the Project, including the rental of facilities, refreshments, training materials and international and domestic travel, lodging and *per diem* of trainers and trainees.

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 \$100,000 equivalent may be made for payments made within a year prior to this date but in any case on or after April 2, 2009, for Eligible Expenditures under Category (1) above; or
- (c) for payments under Category (2) above, until the Bank has received the signed SENAMHI Agreement.

2. The Closing Date is June 30, 2015.

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)
January 15, 2027	100%

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. "AAA" means *Autoridad Administrativa del Agua*, a Borrower's River Basin Water Authority, to be created pursuant to the Borrower's Water Law (as defined below).
2. "ALA" means *Administración Local de Agua*, a Borrower's local water administration, to be created pursuant to the Borrower's Water Law (as defined below).
3. "ANA" or "Project Implementing Entity" means *Autoridad Nacional del Agua*, the Borrower's National Water Authority, created pursuant to the Borrower's Law No. 997, dated March 13, 2008, and its successor or successors thereto.
4. "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.
5. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. "CC" means a *Consejo de Cuenca*, a Borrower's River Basin Council, to be created pursuant to the Borrower's Water Law (as defined below).
7. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006.
8. "*Cultura del Agua* Program" means *Programa de Desarrollo de la Cultura del Agua*, mentioned in Article 88 of the Water Resources Law.
9. "Environmental Management Framework" means the document prepared by the Borrower, dated October 15, 2008, which sets out the environmental protection measures in respect of the Project, including: (i) an environmental screening checklist for Project interventions; (ii) environmental supervision, monitoring and evaluation procedures for the Project; and (iii) measures to be taken to minimize the risk of negative impacts of the structural investments carried out by the Project.
10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

11. "Indigenous Peoples Planning Framework" means the document prepared by the Borrower, dated January 30, 2009, which sets out the types of subprojects and its potential positive and adverse effects on indigenous peoples and it identifies the social assessments needed to ensure free, prior and informed consultations with indigenous peoples at each stage of the Project cycle.
12. "MINEDU" means the Borrower's Ministry of Education.
13. "MINEDU Agreement" means the agreement referred to in Section I.B.1 of the Schedule to the Project Agreement.
14. "Operational Manual" means the manual, dated March 24, 2009, referred to in Section I.D1 of the Schedule to the Project Agreement, to be approved initially through a *Resolución Jefatural* from ANA.
15. "Pilot River Basins" means the river basins of Chancay-Lambayeque, Ica-Alto Pampas (Huancavelica), Chili or any other basin as agreed between the Borrower and the Bank.
16. "PIU" means the project implementation unit referred to in Section I.A.3 of Schedule 2 to this Agreement.
17. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
18. "Procurement Plan" means the Borrower's procurement plan for the Project, dated February 11, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
19. "Project Agreement" means the agreement of even date herewith between the Bank and ANA relating to the implementation of all or part of the Project, as such agreement may be amended from time to time.
20. "Project Implementing Entity's Legislation" means collectively: (i) the Borrower's Law No. 997, dated March 13, 2008; (ii) the Borrower's Water Resources Law; (iii) the Borrower's Supreme Decree No. 039-2008-AG, dated December 21, 2008.
21. "Project Steering Committee" means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement.

22. "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.
23. "Selected River Basins" means the river basins of Chancay-Lambayeque, Ica-Alto Pampas (Huancavelica), Chili, Puyango-Tumbes, Jequetepeque, Chancay-Huaral, Moquegua-Tambo or any other basin as agreed between the Borrower and the Bank.
24. "SENAMHI" means *Servicio Nacional de Meteorología e Hidrología*, the Borrower's Meteorological and Hydrological National Service.
25. "SENAMHI Agreement" means the agreement referred to in Section I.B.2 of the Schedule to the Project Agreement.
26. "Water Resources Law" means the Borrower's Law No. 29338, dated March 30, 2009 and published in the Borrower's Official Gazette on March 31, 2009.
27. "WRM" means water resources management.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

"Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association ("Preparation Advance"), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance."

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or ANA ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or ANA has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Loan Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”