

CONFORMED COPY

LOAN NUMBER 4076-PE

Loan Agreement

(Irrigation Subsector Project)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 7, 1996

LOAN NUMBER 4076-PE

LOAN AGREEMENT

AGREEMENT, dated November 7, 1996, between REPUBLIC OF PERU (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from Overseas Economic Cooperation Fund (OECF) a loan (the OECF Loan) in an amount equivalent to \$60,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the OECF Loan Agreement) to be entered into between the Borrower and OECF;

(C) Part A of the Project will be carried out by Corporacin Financiera de Desarrollo (COFIDE) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to COFIDE a portion of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and COFIDE;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "COFIDE" means the Borrower's Financial Development Bank (Corporacin Financiera de Desarrollo), established pursuant to the Borrower's Decreto Ley No.18807 and published in El Peruano of March 19, 1971, as amended from time to time;

(b) "Commercial Financial Institutions" ("CFI") means first-tier financial institutions with which COFIDE has entered into a Subsidiary Participation Agreement in accordance with the provisions of paragraph 3 of Schedule 1 to the Project Agreement;

(c) "INADE" means the Borrower's National Institute for Development (Instituto Nacional de Desarrollo), established pursuant to Decreto Legislativo No. 261, dated June 24, 1983 and published in El Peruano of June 28, 1983, as amended from time to time;

(d) "Irrigation Project Credit Manual" means the credit manual referred to in Section 3.01 (c) of this Agreement;

(e) "PCU" means the Project Coordination Unit to be established by the Borrower in accordance with the provisions of Section 3.05 (a) of this Agreement;

(f) "Project Agreement" means the agreement between the Bank and COFIDE of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(g) "Rehabilitation Fund" means the fund to be established by COFIDE in accordance with the provisions of paragraph 2 of Schedule 1 to the Project Agreement;

(h) "Selected Dams" means the dams called "Pochos", "San Lorenzo", "Tinajones" and "El Fraile", and all their associated structures and reservoirs;

(i) "Selected Irrigation Project" means an irrigation project approved by the PCU for financing under Part A of the Project in accordance with the provisions of paragraph 2 of Schedule 5 to this Agreement;

(j) "Special Account - COFIDE" means the account referred to in Section 2.02 (b) of this Agreement;

(k) "Special Account - PCU" means the account referred to in Section 2.02 (c) of this Agreement;

(l) "Subloan" means a loan made or proposed to be made by COFIDE out of the Rehabilitation Fund to a CFI under a Subsidiary Participation Agreement for further on-lending to a WUO for a Selected Irrigation Project;

(m) "Sub-Subloan" means a loan made or proposed to be made by a CFI to a WUO for a Selected Irrigation Project;

(n) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and COFIDE pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes the Irrigation Project Credit Manual annexed to said agreement;

(o) "Subsidiary Participation Agreement" means the agreement to be entered into between COFIDE and each of the CFIs pursuant to paragraph 4 of Schedule 1 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Participation Agreement; and

(p) "WUO" means a water user organization and, depending on the context, can be either an Irrigators' Commission (Comisin de Regantes) or a Users' Board (Junta de Usuarios), or both or Irrigators' Commission and a Users' Board or any other eligible water organization acceptable to the Bank, in accordance with the Irrigation Project Credit Manual.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to eighty five million dollars (\$85,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Bank shall so agree, to be paid) by COFIDE on account of withdrawals made by a CFI under a Subloan to meet the reasonable cost of goods, works and services required for a Selected Irrigation Project in respect of which a CFI has made payment to a WUO under a Sub-Subloan; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for Parts B, C, D and E of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of Part A of the Project, open and maintain in dollars a special deposit account in a commercial bank or financial entity, acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account - COFIDE shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) The Borrower may, for the purposes of Parts B, C, D and E of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account - PCU shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period:
 - (A) one half of one percent (1/2 of 1%);
 - (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement:

- (i) shall supervise COFIDE's execution of Part A of the Project and carry out Parts B, C and D of the Project through the PCU and Part E of the Project through INADE with due diligence and efficiency and in conformity with appropriate administrative, irrigation, engineering, environmental, ecological and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) shall cause COFIDE to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of

funds, facilities, services and other resources, necessary or appropriate to enable COFIDE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out Parts B, C and D of the Project through the PCU and carry out Part E of the Project through INADE in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall transfer a portion of the proceeds of the Loan to COFIDE under a subsidiary agreement to be entered into between the Borrower and COFIDE, under terms and conditions which shall have been approved by the Bank, which shall include the establishment by COFIDE of the Rehabilitation Fund and which shall also include as an annex a complete credit manual for the execution of Part A of the Project.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and, without limitation thereto, the Borrower, through the PCU, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan, for the future operation of Parts B, C, D and E of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by COFIDE pursuant to Section 2.03 of the Project Agreement.

Section 3.05. (a) The Borrower shall establish within the Ministry of Agriculture, and thereafter maintain during the period of Project execution, the PCU with such staffing, functions and organization as shall be acceptable to the Bank.

(b) The Borrower shall, through the PCU, establish within the PCU and thereafter maintain during the period of execution of the Project, a comprehensive management information and monitoring system on the basis of terms of reference acceptable to the Bank.

Section 3.06. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall, through the PCU:

(a) prepare and submit to the Bank, not later than December 31 of each year of Project execution, for its review and approval, an annual operating plan for all Parts of the Project of such scope and detail as the Bank shall reasonably request;

(b) prepare and submit to the Bank, not later than September 30 and March 31 of each year of Project execution, progress reports on the execution of the Project for, respectively, the first and second semesters of the year, such progress reports to be of such scope and detail as the Bank shall reasonably request, and to be prepared on the basis of the monitoring indicators satisfactory to the Bank;

(c) organize, together with COFIDE, OECF and the Bank, an evaluation of the execution of Part A of the Project by June 30, 1998 or promptly after an aggregate of \$10,000,000 equivalent has been withdrawn from the Loan Account in respect of Category (1) of the Table in Schedule 1 to this Agreement, whichever is earlier; and

(d) promptly take or cause to be taken all such action, satisfactory to the Bank, as shall be necessary for the efficient execution of the Project or the attainment of its objectives if, as a result of any of the progress reports referred to in paragraph (b) above, or the evaluation referred to in paragraph (c) above, progress in the execution of the Project or in the achievement of its objectives is not satisfactory to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A, B, C, D and E of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account - COFIDE and Special Account -PCU for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank employed under terms of reference acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate management report on the overall institutional performance and the efficiency of the flow of funds under the Project; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account - COFIDE or Special Account - PCU was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such

records; and

- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02 The Borrower shall, through the PCU, submit to the Bank for its review and approval the plan of accounts and accounting procedures to be used by the PCU and COFIDE during the execution of the Project.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) COFIDE shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that COFIDE will be able to perform its obligations under the Project Agreement.

(c) The Borrower's Decree-Law (Decreto Ley) No.18807 referred to in Section 1.02 (a) of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of COFIDE to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of COFIDE or for the suspension of its operations.

(e) The OECF Loan Agreement shall have failed to become effective by not later than six months after the Effective Date, or such later date as the Bank may agree, provided that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph:

- (A) the right of the Borrower to withdraw the proceeds of the OECF Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the OECF Loan Agreement; or
- (B) such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:

- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the OECF Loan Agreement; and
- (B) adequate funds for the Project are available

to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower;

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of such Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower has allocated adequate budget funds, in the opinion of the Bank, to its Ministry of Agriculture for the implementation of the Project during 1996;

(b) the Borrower, through its Ministry of Economy and Finance, has entered into the Subsidiary Agreement with COFIDE in accordance with the provisions of Section 3.01 (c) of this Agreement;

(c) the Borrower has fully staffed the PCU with staff with qualifications and experience acceptable to the Bank;

(d) the Borrower, through the PCU, has established a monitoring system satisfactory to the Bank in accordance with the provisions of Section 3.05 (b) of this Agreement and has made it operational; and

(e) the PCU and COFIDE have adopted the plan of accounts and accounting procedures approved by the Bank in accordance with Section 4.02 of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by COFIDE, and is legally binding upon COFIDE in accordance with its terms.

Section 6.03. The date of February 5, 1997 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
Jirn Junn 319
Lima 1

Peru

For the Bank:

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

Cable address: Telex:
INTBAFRAD 248423 (MCI) or
Washington, D.C. 64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PERU

By /s/ Luis Quesada Incheustegui
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Paul Isenman
Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Subloans	46,300,000	95% of amounts disbursed by COFIDE under Subloans
(2) Goods	4,170,000	100% of foreign expenditures and 85% of local expenditures
(3) Consultants' services	13,030,000	100%
(4) Agricultural extension	2,730,000	40%

	services under Part C of the Project		
(5)	Matching Grants under Part C of the Project	7,300,000	50%
(6)	Operating expenses under Part D of the Project	1,020,000	75% up to \$350,000 equivalent; 50% thereafter up to an aggregate of \$700,000 equiva- lent; and 25% thereafter
(7)	Civil works under Part E of the Project	2,400,000	100% of foreign expenditures and 75% of local expenditures
(8)	Unallocated	8,050,000	
	TOTAL	85,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "Operating expenses" means administrative expenses (including salaries and the cost of operating the management information and monitoring system referred to in Section 3.05 (b) of this Agreement) of the PCU; and

(d) the term "Matching Grants" means grants (bonificaciones) made by the PCU to eligible beneficiaries for the partial financing of eligible expenditures incurred in connection with eligible projects, all as provided in the manual referred to in paragraph 14 of Schedule 5 of this Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$500,000 may be made in respect of Categories (3), in respect of Part D of the Project, and (6) on account of payments made for expenditures before that date but after April 19, 1996; and

(b) payments made for expenditures in respect of Categories (2), (3), (4) and (5) in respect of Part C of the Project until the Borrower, through the PCU, has provided to the Bank the operational manual satisfactory to the Bank referred to in paragraph 14 of Schedule 5 to this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts not exceeding \$250,000 equivalent; (b) for civil works under contracts not exceeding \$3,000,000 equivalent; (c) for services of consultant firms not exceeding \$100,000 equivalent and of individual consultants not exceeding

\$50,000; (d) for Subloans under Category (1); (e) for Operating Expenses under Category (6); (f) for Matching Grants under Category (5); and (g) agricultural extension services under Category (4), all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to develop the capacity for decentralized management of irrigation systems by WUOs, to reduce the role of the public sector in irrigation, and to ensure cost recovery of capital investment and operation and maintenance of irrigation systems.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Irrigation Rehabilitation

Financing of the rehabilitation and/or improvements of Selected Irrigation Projects.

Part B: Strengthening of WUOs

Institutional development and strengthening of WUOs and training of their management and technical staff in administration, finance and operation and maintenance of irrigation systems.

Part C: Incentive Program for Irrigation Technology Improvement

Execution of a national program for the promotion of the adoption of technological innovations in irrigation through:

1. Execution of a training program for extension workers who will be responsible for the promotion of more efficient irrigation techniques and methods.
2. Execution of an investment matching grant program for the adoption of new irrigation technology.

Part D: Institutional Strengthening

Strengthening of the PCU to enable it to carry out its coordination and monitoring functions for the Project.

Part E: Dam Safety Emergency Program

Development and execution of an emergency rehabilitation program for the Selected Dams, including the testing and rehabilitation of control equipment, valves, gates, generators, low-level drains and other outlet works, and the completion of earth stabilization works at El Fraile dam.

* * *

The Project is expected to be completed by December, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
March 15, 2001	2,235,000.000
September 15, 2001	2,300,000.000
March 15, 2002	2,365,000.000
September 15, 2002	2,435,000.000

March 15, 2003	2,505,000.000
September 15, 2003	2,580,000.000
March 15, 2004	2,655,000.000
September 15, 2004	2,730,000.000
March 15, 2005	2,810,000.000
September 15, 2005	2,890,000.000
March 15, 2006	2,975,000.000
September 15, 2006	3,060,000.000
March 15, 2007	3,150,000.000
September 15, 2007	3,240,000.000
March 15, 2008	3,335,000.000
September 15, 2008	3,430,000.000
March 15, 2009	3,530,000.000
September 15, 2009	3,635,000.000
March 15, 2010	3,740,000.000
September 15, 2010	3,850,000.000
March 15, 2011	3,960,000.000
September 15, 2011	4,075,000.000
March 15, 2012	4,190,000.000
September 15, 2012	4,315,000.000
March 15, 2013	4,440,000.000
September 15, 2013	4,570,000.000

TOTAL: 85,000,000.000

* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$250,000 or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. Works procured by WUOs under Part A of the Project estimated to cost the equivalent of \$5,000,000 or less per contract and goods procured by WUOs under Part A of the Project estimated to cost the equivalent of \$250,000 or less per contract may be procured in accordance with established commercial practices acceptable to the Bank.
2. Works procured under Part E of the Project estimated to cost the equivalent of \$3,000,000 or less per contract and goods procured under Parts B, C, D and E of the Project estimated to cost the equivalent of \$250,000 or less per contract, up to an aggregate amount equivalent to \$1,400,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.
3. Goods under Parts B, C, D and E of the Project estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$600,000, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.
4. Goods under Part C of the Project may be procured in accordance with established commercial practices; provided, however, that such practices include packaging of orders to the maximum extent practicable and that they are based on comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.
5. In the procurement of goods and works, in accordance with the procedures referred to in Part C.2 of this Schedule, the Borrower shall, or shall cause to, use standard bidding documents acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each first-tier bank's first contract for works and first contract for goods for Part A of the Project procured in accordance with the provisions of Part C, paragraph 1 above and with respect to each contract for works estimated to cost the equivalent of \$3,000,000 or more and each contract for goods estimated to cost the equivalent of \$250,000 or more for Parts B, C, D and E of the Project, the procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World

Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

Parts A and B of the Project

1. Part A of the Project will be carried out by COFIDE in accordance with the provisions of the Project Agreement with the assistance and under the supervision of the Borrower, through its Ministry of Economy and Finance in coordination with the PCU, as set forth below.

2. The Borrower, through the PCU, shall approve the Selected Irrigation Projects on the basis of: (a) feasibility studies and; (b) evidence that the WUOs in question are willing and able to repay the Sub-Subloans. The PCU shall also approve all firms to be employed by WUOs for the supervision of the rehabilitation of Selected Irrigation Projects.

3. In order to ensure that WUOs are maintaining the Selected Irrigation Projects in an adequate and sustainable manner and are receiving an appropriate water charge for the recovery of their operations and maintenance cost, the Borrower, through the PCU, shall employ an independent technical auditor to monitor the status of operation and maintenance of the Selected Irrigation Projects on an on-going basis. Said auditor will be charged with reviewing the irrigation infrastructure of the Selected Irrigation Projects every three years and to recommend corrective actions if necessary. The Borrower, through the PCU, shall ensure that WUOs comply with such recommendations within one year of the date of the technical auditor's report.

4. Part B of the Project will be carried out by consultants under the supervision of the PCU.

Part C of the Project:

Part C.1

5. The training to be provided to the extension workers shall include extensive coverage of all know-how necessary for transferring irrigation and drainage knowledge to irrigation system users. It shall include training on environmental aspects, particularly with respect to the use of agrochemicals and mitigation of their environmental impact.

6. Extension workers will be hired directly by WUOs or other farmers' organizations selected between the PCU and the Bank. As a

condition of their employment and training, extension workers will be required to sign a commitment to work with the hiring WUO or farmer organization for a minimum of five years, or to repay the salary they received during their training.

7. In addition to extension work in irrigation and drainage, extension workers will be responsible for disseminating the matching grant program to be carried out under Part C.2 of the Project to all farmers able to participate in the program and for assisting poorer farmers in participating in the program.

8. In areas where irrigation systems were rehabilitated under Part A of the Project, such irrigation systems will be used by the extension workers to promote the adoption of modern irrigation technology and to encourage farmers to use more efficient irrigation systems and techniques.

9. The Borrower, through the PCU, shall ensure that all consultants employed by WUOs under Part C.1 of the Project shall be employed under standard terms and conditions and standard terms of reference approved by the Bank.

Part C.2

10. A matching grant program for the adoption of new irrigation technology will be carried out by the Borrower, through the PCU for the benefit of all farmers, WUOs and other farmer organizations interested in modernizing their practices in order to achieve more efficient use of water and soil resources. To ensure that all possible beneficiaries are provided equal opportunity of access to the subsidies program, available program funds will be allocated to each of the main irrigated areas on the Pacific coast on the basis of hectareage under irrigation. In addition, in order to promote poverty alleviation, the program will provide no more than 80% subsidy to farmers with less than 15 hectares and a subsidy of no more than 50% to farmers with more than 15 hectares.

11. Only irrigation projects on land with water already supplied to the farm site will be eligible to receive matching grants under the program.

12. The matching grant will be paid on the cost of studies to establish improved irrigation methods and on the cost of equipment needed to apply irrigation water and agricultural chemicals (including the necessary pumping equipment in cases where pressurization is needed) and the PCU shall maintain proof of payment of all studies and equipment on account of which it has made matching grants.

13. Irrigation projects will not be eligible for the matching grant program if:

(a) investment costs per hectare exceed the equivalent of \$5,000; and

(b) investment costs exceed \$150,000 equivalent for projects financed by individual farmers or \$300,000 equivalent for projects financed by WUOs or other farmer organizations.

14. Matching grants will be awarded for eligible projects on the basis of a competitive selection process organized by the PCU. The rules for this selection process as well as all other procedures for the execution of the matching grant program will be set forth in an operational manual acceptable to the Bank.

Part E of the Project

15. Part E of the Project will be supervised by a dam safety supervision committee established within INADE on the basis of terms of reference acceptable to the Bank. Day-to-day management of the dam safety emergency program will be assured by a unit to be established within INADE with staffing, functions and

organization acceptable to the Bank.

16. The Borrower, through INADE, shall at all times operate and maintain the Selected Dams, and shall make all necessary repairs and renewals thereof, in accordance with sound engineering, irrigation, environmental, ecological and financial practices.

17. Without limitation on the generality of paragraph 16 above, the Borrower, through INADE, shall under arrangements satisfactory to the Bank, cause the Selected Dams, after their rehabilitation under Part E of the Project, to be periodically inspected in accordance with sound engineering practice in order to determine whether there are any deficiencies in the condition of such structures, or in the quality and adequacy of maintenance or methods of operation of the same, which may endanger their safety. To this end, the Borrower, through INADE, shall propose to the Bank appropriate arrangements for the Bank's review no later than one year before the expected completion date of the rehabilitation of each of such structures.

SCHEDULE 6

Special Account - COFIDE

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part A of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$6,000,000 to be withdrawn from the Loan Account and deposited in the Special Account - COFIDE pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$3,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of \$15,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account - COFIDE has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account - COFIDE shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account - COFIDE such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account - COFIDE, the Borrower shall furnish to the Bank requests for deposits into the Special Account - COFIDE at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in

respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account - COFIDE such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account - COFIDE for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account - COFIDE, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account - COFIDE:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account - COFIDE;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part A of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account - COFIDE as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account - COFIDE: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account - COFIDE (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account - COFIDE shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account - COFIDE will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account - COFIDE.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 7

Special Account - PCU

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2), (3), (4), (5), (6) and (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts B, C, D and E of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Loan Account and deposited in the Special Account - PCU pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts B, C, D and E of the Project shall be equal to or exceed the equivalent of \$12,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account - PCU has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account - PCU shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account - PCU such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account - PCU, the Borrower shall furnish to the Bank requests for deposits into the Special Account - PCU at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the

Borrower, withdraw from the Loan Account and deposit into the Special Account - PCU such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account - PCU for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account - PCU, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account - PCU:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account - PCU;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts B, C, D and E of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account - PCU as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account - PCU: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account - PCU (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account - PCU shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account - PCU will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such

outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account - PCU.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

