

LOAN NUMBER 9288-PE

Loan Agreement

**(Transmission Investment Plan (PIT) to support Post-COVID-19 Green Economic
Recovery in Peru)**

between

REPUBLIC OF PERU

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date 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) apply to and form 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 the amount of seventy million Dollars (\$70,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).¹
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower’s Minister of the Ministry of Economy and Finance (“MEF”) or the Borrower’s Director of Public Treasury (“DGTP”), or any person whom any of them shall designate in writing.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread² or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

¹ For clarity purposes, the official Spanish translation of “Transmission Investment Plan (PIT)” is “Programa Plan de Inversiones de Transmisión.”

² Only Variable Spread is available due to FSL suspension effective April 1, 2021.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MINEM/DGER in accordance with the provisions of Article V of the General Conditions and 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 Legal Framework shall have been amended, suspended, abrogated, repealed, waived or not enforced, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of MINEM/DGER to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of, namely that, the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Operational Manual has been finalized and, thereafter, adopted by MINEM/DGER, in a manner acceptable to the Bank.
 - (b) The Terms of Reference for the PCU key staff pursuant to Section I.A.1(a) of Schedule 2 of this Agreement and the Operational Manual have been finalized in a manner satisfactory to the Bank.
 - (c) Each of the eight Framework Agreements, as identified under the Operational Manual, has been entered into between the Borrower, through MINEM/DGER, and each of the EDEs that is a party thereto.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Minister of Economy and Finance, provided that the Borrower's Director of DGTP, may, by him or herself represent the Borrower to sign amendments and/or notices to this Agreement.
- 6.02. For purposes of Section 10.01 of the General Conditions the Borrower's address is:

Ministry of Economy and Finance
Jr. Junin 319/
Lima, Peru

Facsimile: +51(1) 626-9921

6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

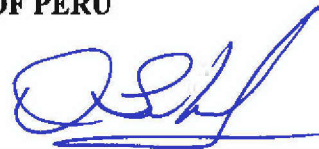
(b) the Bank's Electronic Address is:

| | | |
|------------------------------|----------------|--------------------|
| Telex: | Facsimile: | E-mail: |
| 248423(MCI) or 64145(MCI) | 1-202-477-6391 | mfay@worldbank.org |

AGREED as of the Signature Date.

REPUBLIC OF PERU

By



Authorized Representative

Name: OSCAR GRAHAM YANAHUCHI

Title: MINISTRO DE ECONOMIA Y FINANZAS

Date: 28 DE FEBRERO 2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: MARIANNE FAY

Title: COUNTRY DIRECTOR

Date: JANUARY 6, 2022

SCHEDULE 1

Project Description

The objectives of the Project are to increase electricity availability and reliability in selected areas in Peru and support the modernization of the power sector regulatory framework.

The Project consists of the following parts:

Part 1: Strengthening and expansion of substations and transmission lines

(a) Provision of finance to carry out the Subtransmission Sub-Projects which consist of, *inter alia*, the following activities: (i) expansion and strengthening of existing power transformation substations; (ii) repowering of existing transmission lines within existing rights of way; (iii) construction of new substations; and (iv) installation of new transmission lines in urban, peri-urban, and rural areas.

(b) Provision of support to the Borrower to, *inter alia*: (i) assess Subtransmission Sub-Projects prioritized during the planning processes for technical, social, environmental and financial feasibility; (ii) assist in the preparation of the Subtransmission Sub-Projects technical and environmental and social documentation and bidding documentation; and (iii) assist in the supervision of the implementation of the Subtransmission Sub-Projects.

Part 2: Technical assistance for regulatory strengthening

Provision of technical assistance to support modernization of the Borrower's electricity market, including: (i) developing a comprehensive plan of reform measures needed to modernize the power sector's institutional and regulatory framework; and (ii) identifying systemic measures for overcoming the financial and institutional constraints faced by the EDEs and designing regulatory reforms to strengthen the EDEs.

Part 3: Project management and capacity building

Provision of support to the PCU in its day-to-day technical, administrative, financial management, procurement and monitoring and evaluation of the Project, and evaluation of Subtransmission Sub-Projects, through the financing of technical advisory services, audits and Operating Costs and the provision of capacity building and Training to MINEM/DGER and the EDEs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Project Implementation and Management

- (a) The Borrower, through MINEM/DGER, shall maintain, throughout Project implementation, a Project coordination unit within DFC ("PCU"), in number and with qualifications and responsibilities acceptable to the Bank, as set forth in the Operational Manual, with the responsibility for Project coordination and overall administrative and fiduciary matters, including financial management, social and environmental standards and monitoring and evaluation.
- (b) No later than sixty (60) days after the Effective Date, the Borrower, through MINEM/DGER, shall ensure that a Project manager, a technical engineer, a procurement specialist, a legal specialist, a financial management specialist, an environmental specialist and a social specialist are hired to work full time within the PCU, all under terms of reference acceptable to the Bank and as set forth in the Operational Manual and in the ESCP.

B. Framework Agreements.

- 1. To facilitate the implementation of Part 1 of the Project, the Borrower, through MINEM/DGER, shall enter into an agreement with each of the EDEs (the Framework Agreement), which shall establish the responsibility of MINEM and the EDEs in the implementation of the Project and the responsibilities of the EDEs in the carrying out of their respective Sub-Projects in accordance with the provisions of this Agreement.
- 2. The Borrower, through MINEM/DGER, shall exercise its rights and carry out its obligations under each Framework Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

C. Subtransmission Sub-Projects.

- 1. For the purposes of carrying out a Subtransmission Sub-Project under Part 1 of the Project, the Borrower, through MINEM/DGER, shall:
 - (a) deposit the Loan proceeds allocated to Category (1) in the table under Section III A. of Schedule 2 to this Agreement, into an escrow account opened specifically for the purpose in a financial institution satisfactory to the Bank, to finance civil works and supervision under the Subtransmission Sub-Projects, pursuant to the relevant Sub-Project Agreement, on terms and conditions acceptable to the Bank and further detailed in the Operational Manual.

- (b) after having selected a Subtransmission Sub-Project in accordance with the guidelines and procedures set forth in the Operational Manual and the ESCP, make available to the pertinent EDE a portion of the proceeds of the Loan (the "Subproject Funds") according to the terms of an agreement ("Sub-Project Agreement") to be entered into between the Borrower, through MINEM/DGER, and said EDE, under terms and conditions approved by the Bank and included in the Operational Manual.
- (c) ensure that each Sub-Project Agreement is prepared based on the model form approved by the Bank and included in the Operational Manual, in which the Borrower, through MINEM/DGER shall:
 - (i) make available, promptly as needed, the Subproject Funds for the carrying out of the Subtransmission Sub-Projects;
 - (ii) obtain rights adequate to protect its interests and those of the Bank, including the right to suspend or terminate the right of the EDE to use the proceeds of the Subproject Funds, and/or obtain a refund of all or any part of the amount of the Subproject Funds then withdrawn, upon the EDE's failure to perform any of its obligations under the Sub-Project Agreement;
 - (iii) require each EDE to carry out its pertinent Subtransmission Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines (applicable to recipients of Loan proceeds other than the Borrower), and the ESCP, including any environmental and social instruments referred to therein, as appropriate;
 - (iv) require each EDE to procure the works and consultants' services to be financed out of the Subproject Funds in accordance with the provisions of this Agreement;
 - (v) require each EDE to obtain the national permits and licenses required to implement the Subtransmission Sub-Projects;
 - (vi) maintain adequate records to reflect the operations, the resources and expenditures in respect of the Subtransmission Sub-Project and maintain adequate reporting in accordance with the standards specified in the Operational Manual;
 - (vii) assure the right of the PCU to inspect, by itself or jointly with DGER and the Bank, if the Bank shall so requests, the works, sites and constructions included in the activities financed by the Subtransmission Sub-Projects, the operations thereof and any relevant records and documents;
- (d) exercise its rights and carry out its obligations under each Sub-Project 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, through MINEM/DGER, shall not assign, amend, abrogate, waive, terminate or fail to enforce any Sub-Project Agreement or any provisions thereof.

D. Project Operational Manual.

1. The Borrower shall implement the Project in accordance with a manual ("Operational Manual") which shall include, *inter alia*: (a) the detailed description of Project activities and the detailed institutional arrangements of the Project; (b) detailed technical, social, economic and financial criteria for the evaluation, ranking and selection of Subtransmission Sub-Projects; (c) a model form of a Sub-Project Agreement; (d) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; and (e) the monitoring indicators for the Project.
2. The Borrower shall not amend, delete, suspend, or waive any part of the Operational Manual, without the prior written agreement of the Bank. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

E. Environmental and Social Standards.

1. The Borrower, through MINEM/DGER, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower, through MINEM/DGER, shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower, through MINEM/DGER, shall ensure that:

- (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Borrower, through MINEM/DGER, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank, as set out in the ESCP.

Section II. Project Monitoring Reporting and Evaluation

1. The Borrower, through MINEM/DGER, shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.
2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Borrower, through MINEM/DGER, shall ensure that such information, report or document does not include Personal Data.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower, through MINEM/DGER, may withdraw the proceeds of the Loan to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

| Category | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed (inclusive of Taxes) |
|--|--|---|
| (1) Works and Consulting Services under Part 1 of the Project (except Consulting Services financed under Part 1 (b) (i) and (ii) of the Project) | 64,864.000 | 100% |
| (2) Goods, Non-Consulting Services, Training, Operating Costs and Consulting Services | 5,136,000 | 100% |
| TOTAL AMOUNT | 70,000,000 | |

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (i) for payments made prior to the Signature Date; and
 - (ii) for Eligible Expenditures under Category (1) until the following condition has been met in respect of said expenditures, namely that the financial institution referred to in Section C.1 (a) in Schedule 2 to this Agreement has been selected by the DGER and said selection has been approved by the Bank.
2. The Closing Date is November 30, 2026.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

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").

Level Principal Repayments

| Principal Payment Date | Installment Share |
|---|--------------------------|
| On each February 15 and August 15 Beginning February 15, 2027 through August 15, 2031 | 9.09% |
| On February 15, 2032 | 9.10% |

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
4. “DFC” means *Dirección de Fondos Concursales*, the Borrower’s Directorate of Competitive Funds within MINEM/DGER
5. “DGER” means *Dirección General de Electrificación Rural*, the Borrower’s General Directorate of Rural Electrification within MINEM/DGER created by the Borrower’s Supreme Decree No.026-2007-EM, dated May 4, 2007.
6. “DGTP” means the Directorate of Public Treasury within MEF.
7. “EDEs” means any of the Borrower’s public electricity distribution companies managed by FONAFE and included in the Transmission Investment Plans - PITs (2013-2017 and 2017-2021), which is eligible, in accordance with the criteria and procedures set forth in the Operational Manual, to provide subtransmission services under a Subtransmission Sub-Project.
8. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated June 28, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
9. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard

- 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
10. “FONAFE” means the Borrower’s National Fund for Financing of State Companies.
 11. “Framework Agreements” means the agreements referred to in Section I.B of Schedule 2 of this Agreement.
 12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (Revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
 13. “Legal Framework” means, collectively, Urgent Decree No. 048-2021, dated May 24, 2021 and published in the Official Gazette on the same date, and the Ministerial Resolution No. 156-2021-MINEM/DM dated May 28, 2021 and published in the Official Gazette on May 29, 2021, and the Framework Agreements (*Convenios Marco*), as said framework may be amended from time to time.
 14. “MINEM/DGER” means *Ministerio de Energía y Minas*, the Borrower’s Ministry of Energy and Mines.
 15. “MEF” means *Ministerio de Economía y Finanzas*, the Borrower’s Ministry of Economy and Finance, or any successor or successors thereto acceptable to the Bank.
 16. “Operating Costs” means the reasonable costs of incremental recurrent expenditures of PCU related to Project implementation such as, *inter alia*, consumable items, utilities and supplies, and salaries of PCU staff assigned to the Project, which would not have been incurred absent the Project.
 17. “Operational Manual” means the manual referred to in Section I.D of Schedule 2 to this Agreement, as such manual may be amended by the Borrower from time to time, with the approval of the Bank.
 18. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
 19. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.

20. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
21. "Sub-Project Agreement" means any of the agreements executed between MINEM/DGER and an EDE containing the specific terms and conditions for the financing of a Subtransmission Sub-Project under Part 1 of the Project, in accordance with the criteria and procedures set forth in the Operational Manual and in Schedule 2 to this Agreement.
22. "Subtransmission Sub-Project" means a sub-project carried out or proposed to be carried out under Part 1 of the Project by an EDE pursuant to a Sub-Project Agreement and in accordance with the criteria and procedures set forth in the Operational Manual.
23. "Training" means the reasonable costs associated with training under the Project, as agreed between the Borrower, through MINEM/DGER, and the Bank, and attributable to study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.