

Implementation Letter

June 23, 1999

International Bank for Reconstruction
and Development
1818 H Street, DC. 20433
United States of America

Dear Sir/Mmes:

Re: Loan No. 4497-PE (Second Financial Adjustment Loan)
Triggers and Expansion of Social Protected Programs

Please refer to the Loan Agreement (Second Financial Adjustment Loan) of even date herewith entered into by and between the Republic of Peru (the Borrower) and the International Bank for Reconstruction and Development (the Bank). Whenever used in this letter, the terms defined in the Loan Agreement have the same meaning as therein set forth.

With respect to the Contingency Social Protection Plan under Schedule 3 of the Loan Agreement, we wish to advise you that the trigger indicators and programs to be expanded referred to therein are those set forth in the attachment to this letter which we understand are satisfactory to the Bank.

Very truly yours,

REPUBLIC OF PERU

By /s/
Authorized Representative

AGREED AND CONFIRMED:

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/
Authorized Representative

Date _____

ANNEX

Triggers:

(a) An 18 percent decline in the three month average of terms of trade[^] from the same period in the previous year.

(b) A 12 percent drop in the three consecutive months of current budget revenues in real terms from the same period in the previous year.

(c) An increase of 3 percentage points in the poverty rate[^] from the same period during the previous year.

Social Programs to be Expanded:

(a) Caminos Rurales (construction of rural roads). Expansion of this program under the Contingency Social Protection Plan would be targeted to those areas most affected by a crisis, by creating temporary employment, limited to two and a half

months per beneficiary.

(b) FONCODES. Under the Contingency Social Protection Plan FONCODES would finance employment generation projects mainly in urban areas, for a period of maximum four months.

(c) PRONAA (food-for-work subprogram under PRONAA, which currently provides assistance for small rural community works). Under the Contingency Social Protection Plan this program would be expanded to both rural and urban areas, with a food ration of two kilos of food per beneficiary, and employment generation limited to six months per beneficiary.

The terms of trade indicator refers to $((\text{index of nominal price of exports} / \text{index of nominal price of imports}) * 100)$.

The index is based on 1990.

The poverty rate refers to the percentage of the population that is unable to consume a basket of basic food and non-food items as valued at local markets rates.

