

**CONFORMED COPY**

**LOAN NUMBER 7160-PE  
(Combined with related Loan No. 3811 PE)**

# **Agreement Amending Loan Agreement and Project Agreement**

**(Lima Water Rehabilitation and Management Project)**

**amongst**

**REPUBLIC OF PERU**

**and**

**SERVICIO DE AGUA POTABLE Y ALCANTARILLADO DE LIMA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

**Dated March 12, 2004**

**LOAN NUMBER 7160-PE  
(Combined with related Loan No. 3811 PE)**

**AGREEMENT AMENDING  
LOAN AGREEMENT AND PROJECT AGREEMENT**

AGREEMENT, dated March 12, 2004 amongst REPUBLIC OF PERU (the Borrower), SERVICIO DE AGUA POTABLE Y ALCANTARILLADO DE LIMA (SEDAPAL) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower and the Bank have entered into a Loan Agreement (Lima Water Rehabilitation and Management Project) dated February 2, 1995 (the Loan Agreement), as amended, for the purpose of assisting in the financing of the project described in Schedule 2 to the Loan Agreement (the Project);

(B) the Bank and SEDAPAL have entered into a Project Agreement (Lima Water Rehabilitation and Management Project) dated February 2, 1995 (the Project Agreement), as amended, for the purpose of carrying out or supervising the Project with the Borrower's assistance;

(C) the Borrower has requested the Bank to provide additional assistance in support of Part C (Service Expansion) of the Project by increasing the amount made available under the Loan Agreement by an amount equal to twenty million Dollars (\$20,000,000); and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

Section 1.01. Unless the context otherwise requires the several terms defined in the Loan Agreement, including the new terms introduced pursuant to this Agreement (as set forth in Article II below), and the Preamble to this Agreement have the respective meanings therein set forth.

## ARTICLE II

### Amendments to the Loan Agreement

Section 2.01. Section 1.01 of the Loan Agreement is hereby amended to read in its entirety as follows:

“Section 1.01. The General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans of the Bank, dated May 30, 1995, with the modification set forth below (the SCL General Conditions) constitute an integral part of this Agreement and apply in respect of the LIBOR-based SCL Portion of the Initial Loan; and wherever used in this Agreement, the term "General Conditions" shall, in respect of the LIBOR-based SCL Portion of the Initial Loan, be deemed to refer to the SCL General Conditions:

In paragraph 4 of Section 2.01, the definition of the term ‘Loan’ is hereby replaced to read as follows: “Loan” means the LIBOR-based SCL Portion of the Initial Loan;”.

Section 2.02. Section 1.02 of the Loan Agreement is hereby amended to read in its entirety as set forth in Annex 1 to this Agreement.

Section 2.03. A new Section 1.03 is hereby added after the new Section 1.02 of the Loan Agreement to read as follows:

“Section 1.03. The General Conditions Applicable to Loan and Guarantee Agreements set forth in the Schedule to the Bank's Provisions for Conversion of Currency Pool Loans, dated September 1, 1996, with the modification set forth below (the SCP General Conditions) constitute an integral part of this Agreement and apply in respect of the SCP Portion of the Initial Loan; and wherever used in this Agreement, the term "General Conditions" shall, in respect of the SCP Portion of the Initial Loan, be deemed to refer to the SCP General Conditions:

In paragraph 4 of Section 2.01, the definition of the term ‘Loan’ is hereby replaced to read as follows: “Loan” means the SCP Portion of the Initial Loan;”.

Section 2.04. A new Section 1.04 is hereby added after the new Section 1.03 of the Loan Agreement to read as follows:

“Section 1.04. The General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans of the Bank dated September 1, 1999, with the modifications set forth below (the FSL General Conditions),

constitute an integral part of this Agreement, and whenever used in this Agreement, the term “General Conditions” shall, in respect of the FSL Loan, be deemed to refer to the FSL General Conditions:

(a) In paragraph 35 of Section 2.01, the term ‘Loan’ means the FSL Loan;

(b) Seven new paragraphs are added after paragraph 48 in Section 2.01 of the FSL General Conditions to read as follows:

49. ‘Amending Agreement’ means the Agreement dated March 12, 2004 entered into amongst the Borrower, SEDAPAL and the Bank for purposes of providing additional assistance in support of Part C of the Project.

50. ‘FSL Effective Date’ means the date on which the Amending Agreement shall enter into effect as provided in Section 4.03 of said agreement.

51. ‘FSL Loan’ means the loan provided for in Section 2.01 (a) (ii) of the Loan Agreement.

52. ‘Initial Loan’ means the loan provided for in Section 2.01 (a) (i) of the Loan Agreement.

53. ‘LIBOR-based SCL Effective Date’ means July 21, 1997.

54. ‘LIBOR-based SCL Portion of the Initial Loan’ means the portion of the loan amount referred to in Section 2.01 (b) (ii) of the Loan Agreement.

55. ‘SCP Portion of the Initial Loan’ means the portion of the loan amount referred to in Section 2.01 (b) (i) of the Loan Agreement.”; and

(c) Paragraph (b) of Section 3.02 is hereby amended to read in its entirety as follows:

(b) The Borrower shall pay a commitment charge as specified in the Loan Agreement on the unwithdrawn principal amount of the FSL Loan. Such commitment charge shall accrue from a date sixty days after the date of the Amending Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account in respect of the FSL Loan or shall be cancelled.”.

Section 2.05. Section 2.01 of the Loan Agreement is amended to read in its entirety as follows:

“Section 2.01. (a) The Bank agrees to lend to the Borrower: (i) various currencies that shall have an aggregate value equivalent to the amount of one hundred fifty million Dollars (\$150,000,000) (the Initial Loan) being the sum of withdrawals of the proceeds of said amount, with each withdrawal valued by the Bank as of the date of such withdrawal, on the terms and conditions set forth or referred to in Sections 2.02 through 2.07 of the Loan Agreement and the letter from the Bank to the Borrower of July 31, 1997 attaching the amortization schedules for the two portions of the Initial Loan referred to in paragraph (b) below; and (ii) an amount equal to twenty million Dollars (\$20,000,000) (the FSL Loan) on the terms and conditions set forth or referred to in Schedules 5 and 6 to this Agreement, as such FSL Loan may be converted from time to time through a Currency Conversion in accordance with the provisions of paragraph 7 of Schedule 5 to this Agreement.

(b) Notwithstanding the provisions set forth in paragraph (a) (i) above, the Initial Loan shall consist of two portions: (i) an amount in various currencies that shall have an aggregate value equivalent to the sum of (A) the total amount of the Initial Loan withdrawn as of the LIBOR-based SCL Effective Date; plus (B) the total amount of the Initial Loan canceled as of the LIBOR-based SCL Effective Date, plus the total amount of special commitments entered into by the Bank in respect of the Initial Loan and outstanding as of the LIBOR-based SCL Effective Date (the SCP Portion of the Initial Loan); and (ii) an amount in the Single Currency equivalent to the balance of the Initial Loan as of the LIBOR-based SCL Effective Date, as reasonably determined by the Bank (the LIBOR-based SCL Portion of the Initial Loan).”.

Section 2.06. Section 2.03 of the Loan Agreement is amended to read in its entirety as follows:

“Section 2.03. The Closing Date shall be December 31, 2006, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.”.

Section 2.07. Section 2.07 of the Loan Agreement is amended to read in its entirety as follows:

“Section 2.07. The Borrower shall repay the principal amount of the SCP Portion of the Initial Loan and the LIBOR-based SCL Portion of the Initial Loan in accordance with the amortization schedules set forth in a letter from the Bank to the Borrower dated July 31, 1997.”.

Section 2.08. The term “Ministry of Presidency” referred to in Section 3.01 (d) of the Loan Agreement is hereby replaced with the term “Ministry of Housing, Construction and Sanitation”.

Section 2.09. The table in Schedule 1 to the Loan Agreement is amended as set forth in the Annex 2 to this Agreement.

Section 2.10. A new paragraph 5 is added at the end of Schedule 1 to the Loan Agreement, to read in its entirety as follows:

“5. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) Categories (1) (b) and (3) (b) set forth in the table in paragraph 1 of this Schedule unless and until the Borrower shall have paid to the Bank in full the front-end fee referred to in paragraph 2 of Schedule 5 to this Agreement; and (b) payments made with regard to the FSL Loan, for expenditures prior to the date of the Amending Agreement, except that withdrawals, in an aggregate amount not to exceed \$2,000,000, may be made in respect of Categories (1)(b) and (3) (b) of the table in paragraph 1 above on account of payments made for expenditures incurred before the date of the Amending Agreement but after January 2, 2003.”.

Section 2.11. Schedule 3 to the Loan Agreement is hereby deleted and shall be deliberately left blank.

Section 2.12. Two new schedules are added to the Loan Agreement and numbered as Schedules 5 and 6, which schedules shall read as set forth in Annexes 3 and 4 to this Agreement, respectively.

Section 2.13. Part C of Schedule 2 to the Loan Agreement is amended to read in its entirety as follows:

“Part C: Service Expansion

Expansion of the water supply and sewerage systems to cover about 600,000 people in low-income areas (*pueblos jóvenes*) through the construction of primary and secondary networks, including, *inter alia*, the construction of transmission lines, pumping stations, reservoirs, interceptors and wastewater treatment plants.”.

Section 2.14. Paragraph 1 (b) of Schedule 4 to the Loan Agreement is amended to read in its entirety as follows: “notwithstanding the definition of the terms “Loan” and “Loan Account” in the respective General Conditions referred to in Sections 1.01, 1.03 and 1.04 of this Agreement, (a) the term “Authorized Allocation” means an amount equivalent to \$2,300,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule; (b) the term “Loan”

means a combination of the LIBOR-based SCL Portion of the Initial Loan, the SCP Portion of the Initial Loan and/or the FSL Loan, as the case may be; and (c) the term “Loan Account” means the account or accounts opened by the Bank on its books in the name of the Borrower to which the amounts of the LIBOR-based SCL Portion of the Initial Loan, the SCP Portion of the Initial Loan and/or the FSL Loan are credited.”.

### ARTICLE III

#### Amendments to the Project Agreement

Section 3.01. The term “Ministry of Presidency” referred to in Section 2.01 (e) of the Project Agreement is hereby replaced with the term “Ministry of Housing, Construction and Sanitation”.

Section 3.02. A new Section 2.11 is hereby added to the Project Agreement to read as follows:

“Section 2.11. (a) SEDAPAL shall, prior to the carrying out of any construction of a secondary network under Part C of the Project for the benefit of a local community-based organization located in a low-income area (*pueblo joven*), enter into an agreement (the Community Agreement) with said local community-based organization, on terms and conditions satisfactory to the Bank, including *inter alia*, the obligation of: (i) SEDAPAL to: (A) finance with part of the proceeds of the Loan a portion of the total cost of said network; (B) procure the works and consultants’ services required for the construction of said network in accordance with the provisions set forth in the Schedule to this Agreement; and (C) construct said network; and (ii) said community-based organization to: (A) inform SEDAPAL of its choice of technological option between public standpipes or private house connections; and (B) in case public standpipes are installed, manage the distribution and billing of water.

(b) (i) SEDAPAL shall exercise its rights and carry out its obligations under each Community Agreement in such manner as to protect the interests of SEDAPAL, the Borrower (notwithstanding that the Borrower is not a party to a Community Agreement) and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, SEDAPAL shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Community Agreement or any provision thereof.”.

Section 3.03. The aggregate amount of \$42,900,000 referred to in Part C.2 of Section I of the Schedule to the Project Agreement is hereby replaced by the amount of \$70,000,000.

## ARTICLE IV

### Effective Date; Termination

Section 4.01. This Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank that:

(a) the execution and delivery of this Amending Agreement on behalf of the Borrower and SEDAPAL have been duly authorized or ratified by all necessary governmental and corporate action, as the case may be; and

(b) the First Subsidiary Loan Agreement has been duly amended to reflect the Borrower's transfer of the proceeds of the FSL Loan to SEDAPAL.

Section 4.02. As part of the evidence to be furnished pursuant to Section 4.01 of this Agreement, there shall be furnished to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing, on behalf of:

(a) the Borrower, that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms;

(b) SEDAPAL, that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, SEDAPAL and is legally binding upon SEDAPAL in accordance with its terms; and

(c) the Borrower and SEDAPAL, that the amendment to the First Subsidiary Loan Agreement (referred to in Section 4.01 (b) of this Agreement) has been duly authorized or ratified by the Borrower and SEDAPAL and is legally binding upon the Borrower and SEDAPAL in accordance with its terms.

Section 4.03. This Agreement shall come into force and effect on the date upon which the Bank shall dispatch to the Borrower and SEDAPAL of the Bank's notice of its acceptance of the evidence required by Section 4.01 of this Agreement.

Section 4.04. If the conditions set forth in Sections 4.01 and 4.02 of this Agreement have not been met by June 10, 2004, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank establishes a later date for the purposes of this Section. If this Agreement shall terminate under the provisions of this Section, the Loan Agreement and Project Agreement shall continue in full force and effect, as if this Agreement had not been executed.



IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending Agreement to be signed in their respective names in the City of Lima, Perú, as of the day and year first above written.

REPUBLIC OF PERU

By /s/Pedro Pablo Kuckzinsky  
Authorized Representative

SERVICIO DE AGUA POTABLE  
Y ALCANTARILLADO DE LIMA

By /s/Elmer Rivasplata  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/Marcelo Giugale  
Acting Regional Vice President  
Latin America and the Caribbean

**ANNEX 1**

“Section 1.02. Unless the context otherwise requires, the several terms defined in the SCL General Conditions, the SCP General Conditions and the FSL 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) “Community Agreement” means any of the agreements referred to in Section 2.11 of the Project Agreement;

(b) "Concessionaire" means the company to be established under Peruvian law to whom SEDAPAL may have awarded a concession for the provision of water supply and sewerage services in the Lima Metropolitan Area;

(c) "Concession Contract" means the contract to be entered into, if the case, between SEDAPAL and the Concessionaire and such term shall include all schedules and agreements supplemental to the Concession Contract;

(d) "First Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SEDAPAL pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the First Subsidiary Loan Agreement;

(e) "Fiscal Year" means the fiscal year of the Borrower and SEDAPAL starting on January 1 and ending on December 31;

(f) "Implementation Manual" means the manual, satisfactory to the Bank, to be approved by SEDAPAL pursuant to Section 6.01 (c) of this Agreement; such manual to contain norms and procedures for Project implementation and supervision including: (i) the procedures and criteria to select the investments under Part C of the Project; (ii) the disbursement and procurement procedures to be followed by SEDAPAL during Project implementation, including standard disbursement forms and standard bidding documents; (iii) the terms of reference of the consultants to be employed in the PMU; and (iv) norms and procedures related to engineering, communication, reporting and administrative matters;

(g) "Lima Metropolitan Area" means the Province of Lima and the Constitutional Province of Callao;

(h) "Management Agreement" means an annual agreement, satisfactory to the Bank, to be entered into between the Borrower, through its Ministry of Housing, Construction and Sanitation, and SEDAPAL and which agreement shall provide for the management and supervision of SEDAPAL's operations including the commitment of

SEDAPAL to achieve targets concerning its operational efficiency, physical activity, commercial efficiency, financial management, productivity and service quality; and "Management Agreements" means collectively all of such agreements;

(i) "PCC" means a project consultative committee to be established by SEDAPAL pursuant to Section 6.01 (d) of this Agreement, and which committee shall be responsible for providing guidance to the PMU (as hereinafter defined) and to ensure proper coordination between the execution of the Project and other investments and activities of SEDAPAL;

(j) "PMU" means a project management unit to be established by SEDAPAL pursuant to Section 6.01 (d) of this Agreement for the management and supervision of the Project;

(k) "Project Account" means the account referred to in Section 2.01 (b) of the Project Agreement;

(l) "Project Agreement" means the agreement between the Bank and SEDAPAL 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;

(m) "Regulations" means the regulations referred to in Section 6.01 (f) of this Agreement;

(n) "Second Subsidiary Loan Agreement" means the agreement, satisfactory to the Bank, to be entered into, if the case, between SEDAPAL and the Concessionaire, providing for the transfer of Loan proceeds from SEDAPAL to the Concessionaire and the latter's responsibilities in the implementation of the Project, as the same may be amended from time to time, and such term includes all schedules, including performance plans and monitoring indicators, and agreements supplemental to the Second Subsidiary Loan Agreement;

(o) "SEDAPAL Bylaws" means the bylaws of SEDAPAL approved by the Borrower's Supreme Decree (*Decreto Supremo*) No. 048-81- VI dated December 15, 1981 and published in the Borrower's official gazette (*El Peruano*) on December 20, 1981, as such bylaws are amended from time to time;

(p) "Services Law" means the Borrower's *Ley General de Servicios de Saneamiento*, No. 26338 dated July 15, 1994, and published in the Borrower's official gazette (*El Peruano*) on July 24, 1994;

(q) "SNSS" means the Borrower's National Superintendency for Sanitation Services (*Superintendencia Nacional de Servicios de Saneamiento*);

(r) "SNSS Agreement" means the agreement, satisfactory to the Bank, to be entered into between SEDAPAL and SNSS providing for the participation and responsibilities of SNSS in the implementation of Part D.1 (d) of the Project; and

(s) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.”.

**ANNEX 2**

**Withdrawal of the Proceeds of the Initial Loan and FSL Loan**

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

<u>Category</u>	<u>Amount of the Initial Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>Amount of the FSL Loan (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works			
(a) under Part A, B and C of the Project	101,700,000) )		100% of foreign expenditures and 66% of local expenditures
(b) under Part C of the Project		17,500,000) )	100% of foreign expenditures and 66% of local expenditures
(2) Goods			
under Parts A, B, C and D of the Project	15,000,000) )		100% of foreign expenditures and 66% of local expenditures
(3) Technical Assistance			
(a) under Parts A, B, C and D of the Project	33,300,000) )		100% of foreign expenditures and 85% of local expenditures
(b) under Part C of the Project		2,500,000) )	85%
	_____	_____	
TOTAL	150,000,000 =====	20,000,000 =====	

**SCHEDULE 5**

**Terms and Conditions governing the FSL Loan**

1. The amount of the FSL Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works and services required for Part C of the Project and to be financed out of the proceeds of the FSL Loan.
2. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the FSL Loan. Such fee shall be payable not later than sixty days (60) after the FSL Effective Date.
3. The Borrower shall pay to the Bank a commitment charge on the principal amount of the FSL Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.
4. The Borrower shall pay interest on the principal amount of the FSL Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the FSL Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.
5. Interest and commitment charges shall be payable semiannually in arrears on February 1 and August 1 in each year.
6. The Borrower shall repay the principal amount of the FSL Loan in accordance with the provisions of Schedule 6 to this Agreement.
7. (a) The Borrower may at any time request any of the following Conversions of the terms of the FSL 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 FSL 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 FSL Loan 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 FSL Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said 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 Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

## SCHEDULE 6

### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the FSL Loan and the percentage of the total principal amount of the FSL Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the FSL Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the FSL Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the FSL Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each February 1 and August 1 Beginning August 1, 2009 through February 1, 2019	5%

2. If the proceeds of the FSL Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the FSL Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the FSL Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 3, if at any time the Bank shall adopt 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 principal amount of the FSL Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the FSL Loan withdrawn and outstanding from time to time shall be 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.

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