

February 17, 2011

CONFORMED COPY

His Excellency
Ismael Benavidas Ferreyros
Minister of Economy and Finance
Ministry of Economy and Finance
Jirón Junín 319
Lima, Peru

Re: PERU – SFLAC Grant for Peru Vilcanota II Project Preparation
SFLAC Grant No. TF096160
Additional Instructions: Disbursement

Excellency:

I refer to the Letter Agreement (“Agreement”) between the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by the Government of Spain under the Spanish Fund for Latin America and the Caribbean (SFLAC), and the Republic of Peru (“Recipient”), for the above-referenced project, dated February 17, 2011. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant No. TF096160 (“Grant”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advances
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in Article III, Section 3.02 of the Agreement.

II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Laura Frigenti, Acting Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank's Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of

Tokens”) provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) *Minimum Value of Applications (subsection 3.5).* The Minimum Value of Applications is US\$50,000 for Direct Payment and Reimbursement.

(vi) *Advances (sections 5 and 6) to Gobierno Regional de Cusco (GRC).*

- ***Type of Designated Account (subsection 5.3):*** Segregated.
- ***Currency of Designated Account[s] (subsection 5.4):*** United States Dollars.
- ***Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):*** Banco de la Nación de Peru.
- ***Ceiling (subsection 6.1):*** US\$100,000.

III. Reporting on Use of Grant Proceeds

(i) *Supporting Documentation (section 4).* Supporting documentation should be provided with each application for withdrawal as set out below:

- ***For requests for Reimbursement:***
 - Summary Statement in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
 - ⌚ Consulting Services with firms under contracts costing US\$75,000 equivalent per contract or more; and
 - ⌚ Consulting Services with individuals under contracts costing US\$35,000 equivalent per contract or more.
 - Statement of Expenditure in the form attached (Attachment 5) for costs, including Operational Costs, that do not exceed the thresholds established above.
- ***For reporting eligible expenditures paid from the Designated Account:***
 - Summary Statement in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made for:
 - ⌚ Consulting Services with firms under contracts costing US\$75,000 equivalent per contract or more; and

- ⌚ Consulting Services with individuals under contracts costing US\$35,000 equivalent per contract or more.
 - Statement of Expenditure in the form attached (Attachment 5) for costs, including Operational Costs, that do not exceed the thresholds established above.
 - A Designated Account activity statement in the form attached (Attachment 6), with a copy of the Designated Account Bank statement.
- ***For requests for Direct Payment:*** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Monthly.

IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank's public website at <http://www.worldbank.org> and its secure website "Client Connection" at <http://clientconnection.worldbank.org>. Print copies are available upon request.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (<http://clientconnection.worldbank.org>). From this website you will be able to download Applications, monitor the near real-time status of the Grant and retrieve related policy, financial, and procurement information.

If you have any queries in relation to the above, please contact the World Bank Loan Department by sending a message to loa-lcr@worldbank.org and placing the project name and grant number in the subject line.

Yours sincerely,

By /s/ Laura Frigenti
 Acting Country Director
 Bolivia, Chile, Ecuador, Perú and Venezuela
 Latin America and the Caribbean Region

Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
2. Form for Authorized Signatures
3. Terms and Conditions of Use of Tokens
4. Summary Statement (SS)
5. Statement of Expenditure Format (SOÉ)
6. Designated Account Activity Statement

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