

**CONFORMED COPY**

**LOAN NUMBER 7142-PE**

**Agreement Providing for  
the Amendment and Restatement  
of the Loan Agreement**

**(National Rural Water Supply and Sanitation Project - PRONASAR)**

**between**

**REPUBLIC OF PERU**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT**

**Dated May 5, 2006**

**LOAN NUMBER 7142-PE**

**AGREEMENT PROVIDING FOR  
THE AMENDMENT AND RESTATEMENT OF  
THE LOAN AGREEMENT**

AGREEMENT, dated May 5, 2006, between REPUBLIC OF PERU (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower and the Bank have agreed to amend the Loan Agreement between the Borrower and the Bank dated September 13, 2002 (hereinafter called the Loan Agreement) except for its Article II (other than its Section 2.10), Article IV and Schedule 3, in the manner hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE**

Section 1.01. The Loan Agreement is hereby amended and restated so as to read as set forth in the Annex hereto. The terms used herein have the meanings defined therefore in the Annex hereto.

Section 1.02. This Agreement shall become effective on the date the bank notifies the Borrower of receipt by the Bank of:

(a) the Revised Operational Manual in form and substance satisfactory to the Bank as adopted by the Borrower's Ministry of Housing, Construction and Sanitation through a Ministerial Resolution;

(b) all Community OS Contracts and all Community OTS Contracts as amended by FONCODES (*Fondo de Cooperación para el Desarrollo Social*) and by the Borrower's Vice Ministry of Construction and Sanitation (VMCS); all duly executed and in form and substance satisfactory to the Bank;

(c) the Execution Agreement in form and substance satisfactory to the Bank duly executed between the Borrower's Ministry of Women and Social Development and the Borrower's Ministry of Housing, Construction and Sanitation;

(d) the first Annual Implementation Program for calendar year 2006 (including the Annual Procurement Plan) in form and substance satisfactory to the Bank, and

(e) an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing that: (i) this Agreement (including the Annex hereto) 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; and (ii) all the Community OS contracts and all the Community OTS contracts have been duly amended and executed and are legally binding upon FONCODES, UGP, OSs and OTSs accordance with their terms.

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

REPUBLIC OF PERU

By /s/ Guillermo Garrido Lecca

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT

By /s/ Marcelo M. Giugale

Authorized Representative

**ANNEX**

**To Agreement Providing for the Amendment and Restatement of the Loan  
Agreement**

**LOAN NUMBER 7142-PE**

**AMENDED AND RESTATED  
LOAN AGREEMENT**

**(National Rural Water Supply and Sanitation Project - PRONASAR)**

**between**

**REPUBLIC OF PERU**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated September 13, 2002**

**As amended and restated on May 5, 2006**

**LOAN NUMBER 7142-PE**

**LOAN AGREEMENT**

AGREEMENT, dated September 13, 2002 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 (the Project), has requested the Bank to assist in the financing of the Project;

(B) on July 15, 1994, the Borrower's Congress passed Law No. 26338 (the General Sanitation Services Law) that sets forth the Borrower's strategy and policy for its water supply and sanitation sector;

(C) on May 26, 2003, the Borrower's Congress passed Law No. 27972 (the Municipal Organic Law) that establishes the responsibilities of District Municipalities (as hereinafter defined) in connection with rural water supply and sanitation services within their respective jurisdictions;

(D) the Borrower contracted from the Canadian International Development Agency (CIDA) a grant (the CIDA Grant) in an amount equivalent to five million Dollars (\$5,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and CIDA; 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;

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 Fixed-Spread Loans” of the Bank dated September 1, 1999 (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) “Agreements” means any, some or all of the following : Community Cofinancing Agreements, Rural Cofinancing Agreements, Rural Framework Agreements, Small Towns Implementation and Cofinancing Agreements, Small Town Operating Agreements and Regional Agreements;

(b) “Annual Implementation Program” means any of the programs referred to in paragraph 6 of Schedule 5 to this Agreement;

(c) “Annual Procurement Plan” means any of the plans referred to in paragraph 6 of Schedule 5 to this Agreement;

(d) “CGTS” means *Consultor en Gestión Técnico Social*, any technical and social consultant including NGOs and private firms, that is selected by UGP for the implementation of Part B of the Project, in accordance with criteria set forth in the Revised Operational Manual;

(e) “Community” or “Communities” means any rural community or communities in the territory of the Borrower that meets the eligibility criteria set forth in the Revised Operational Manual;

(f) “Community Cofinancing Agreement” means any agreement executed among FONCODES, a District Municipality, an OTS, and OS and a NE-JASS for the cofinancing and the execution of a Community Subproject carried out under Parts A.1 and A.2 of the Project;

(g) “Community OS Contract” means any of the contracts executed among FONCODES, VMCS (through UGP) and an OS for the supervision of a Community Subproject until the works delivery and liquidation with subsequent transfer of such works to VMCS under Parts A.1 and A.2 of the Project;

(h) “Community OTS Contract” means any of the contracts executed among FONCODES, VMCS (through UGP) and an OTS for the carrying out of technical assistance, sanitary and hygiene education, feasibility studies, capacity-building activities, social promotion, final designs, and works delivery and liquidation (with subsequent transfer of such works to VMCS) related to a Community Subproject under Parts A.1 and A.2 of the Project;

(i) “Community Subproject” means any investment subproject for the benefit of Communities to be carried out under Parts A.1 and A.2 of the Project;

(j) “Contracts” means any, some or all of the following : Community OS Contracts, Community OTS Contracts, Rural OS Contracts, Rural OTS Contracts, Small Towns CS Contracts, Small Town CGTS Contracts, Small Town Delegation Contracts and Work Contractor Contracts;

(k) “CS” means *Consultor Supervisor*, any Project supervising consultant, including NGOs, individual consultants and private firms, that is selected by UGP for the implementation of Part B of the Project, in accordance with criteria set forth in the Revised Operational Manual;

(l) “Department” means *Departamento*, any of the political subdivisions of the territory of the Borrower established pursuant to the Borrower’s Law No. 26922, dated February 3, 1998;

(m) “District Municipality” means *Municipalidad Distrital*, any of the political subdivisions of the territory of the Borrower established pursuant to paragraph 3 of Article 4 of the Borrower’s Municipal Organic Law (No. 27972, dated May 26, 2003);

(n) “DNS” means *Dirección Nacional de Saneamiento*, the Borrower’s National Sanitation Directorate within VMCS;

(o) “Eligible Categories” means categories (1) through (4), (6) and (7) set forth in the table in Part A.1 of Schedule 1 to this Agreement;



(p) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(q) “Environmental Guidelines” means the environmental guidelines acceptable to the Bank for carrying out Community Subproject, Rural Subprojects and Small Town Subprojects, as annexed to the Revised Operational Manual;

(r) “Execution Agreement” means *Convenio de Ejecución por Encargo*, the agreement to be executed between the Borrower’s Ministry of Women and Social Development and the Borrower’s Ministry of Housing, Construction and Sanitation for the carrying out of Community Subprojects as listed under Schedule 7 to this Agreement;

(s) “Expanded Project Area” means the Initial Project Area and the area comprised by the Borrower’s Departments of Amazonas, Ancash, Apurimac, Cajamarca, Cusco, Loreto, Madre de Dios, Puno and Ucayali, and any other Department which may be acceptable to the Bank in addition to, or in substitution of, the above Departments;

(t) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(u) “FONCODES” means *Fondo de Cooperación para el Desarrollo Social*, the Borrower’s national program for social development within the Borrower’s Ministry of Women and Social Development;

(v) “Initial Project Area” means the area comprised by the Borrower’s Departments of Arequipa, Ayacucho, Huancavelica, Huanuco, Junín, Lima, Pasco, and Piura;

(w) “JASS” means *Junta Administradora de Servicios de Saneamiento*, any community users’ association of water supply and sanitation services operating in the Initial Project Area or in the Expanded Project Area and registered with MVCS by the concerned District Municipality for the purposes of the implementation of Parts A.3 and A.4 of the Project;

(x) “MEF” means *Ministerio de Economía y Finanzas*, the Borrower’s Ministry of Economy and Finance;

(y) “MVCS” means *Ministerio de Vivienda, Construcción y Saneamiento*, the Borrower’s Ministry of Housing, Construction and Sanitation;

(z) “NE-JASS” means *Núcleo Ejecutor-Junta Administradora de Servicios de Saneamiento*, any community users’ association of water supply and sanitation services created by FONCODES for the implementation, construction and operation of water and sanitation services in the Initial Project Area and registered with MVCS by UGP for the purposes of the implementation of Parts A.1 and A.2 of the Project;

(aa) “NGO” means any non-governmental organization (with legal personality) operating in the territory of the Borrower;

(bb) “OE” means *Operador Especializado*, any autonomous private or public entity specialized in the provision of water supply and sanitation services operating under the laws of the Borrower;

(cc) “OS” means *Operador Supervisor*, any Project supervising operator, including NGOs and private firms, that is selected by FONCODES for the implementation of Parts A.1 and A.2 of the Project and by UGP for the implementation of Parts A.3 and A.4 of the Project, in accordance with criteria set forth in the Revised Operational Manual;

(dd) “OTS” means *Operador Técnico Social*, any technical and social operator, including NGOs and private firms, that is selected by FONCODES for the implementation of Parts A.1 and A.2 of the Project and by UGP for the implementation of Parts A.3 and A.4 of the Project, in accordance with criteria set forth in the Revised Operational Manual;

(ee) “Performance Indicators” means the Project performance indicators set forth in Schedule 6 to this Agreement;

(ff) “Procurement Strengthening Action Plans” means the VMCS’s procurement strengthening action plans for Project implementation set forth in the Revised Operational Manual;

(gg) “Project Steering Committee” means *Comité de Coordinación del Proyecto*, the highest oversight and advisory body for the Project headed by the

Borrower's Vice-Minister of Construction and Sanitation and comprising representatives from MEF, VMCS, UGP and FONCODES;

(hh) "Regional Agreement" means any agreement executed between VMCS and a Regional Government for the provision of technical assistance in post-investment activities under Parts A and B of the Project;

(ii) "Regional Government" means *Gobierno Regional*, any of the political subdivisions of the territory of the Borrower established pursuant to the Borrower's Regional Governments Organic Law No. 27867, dated November 18, 2002;

(jj) "Revised Operational Manual" means the Project operational manual acceptable to the Bank and to be adopted by the Borrower's Ministry of Housing, Construction and Sanitation through a Ministerial Resolution; referred to in paragraph 1 (a) of Schedule 5 to this Agreement including: (i) Project institutional setup, including organization and functions of FONCODES, VMCS, UGP and Project Steering Committee; (ii) disbursement, accounting, auditing and reporting procedures; (iii) procurement responsibilities, processes and internal controls; (iv) monitoring and evaluation plans for the Project; (v) Community Subprojects cycle, Rural Subprojects cycle, and Small Town Subprojects cycle, including pre-investment, investment and post-investment activities; (vi) roles and responsibilities of FONCODES, VMCS, UGP, DNS, District Municipalities, Regional Governments, JASSs, NE-JASS, OEs, OTSs, OSs, CGTSs, CSs and Work Contractors, (vii) eligibility and cost-recovery requirements; (viii) the Environmental Guidelines; (ix) the Social Guidelines; and (x) models for Contracts and Agreements;

(kk) "Rural Cofinancing Agreement" means any agreement executed among VMCS, a District Municipality and a JASS for the co-financing and the execution of a Rural Subproject carried out under Parts A.3 and A.4 of the Project;

(ll) "Rural Framework Agreement" means any agreement executed between VMCS and a District Municipality for the general carrying out of Rural Subprojects under Parts A.3 and A.4 of the Project;

(mm) "Rural OS Contract" means any of the contracts executed between VMCS (through UGP) and an OS for the supervision of a Rural Subproject under Parts A.3 and A.4 of the Project;

(nn) "Rural OTS Contract" means any of the contracts executed between VMCS (through UGP) and an OTS for the carrying out of technical assistance, sanitary and hygiene education, feasibility studies, capacity-building activities, social promotion, final

designs, acquisition of construction materials, works delivery and liquidation and post-investment technical assistance related to a Rural Subproject under Parts A.3 and A.4 of the Project;

(oo) “Rural Subproject” means any investment subproject for the benefit of Communities to be carried out under Parts A.3 and A.4 of the Project;

(pp) “Small Town CGTS Contract” means any of the contracts executed between VMCS (through UGP) and an CGTS for the carrying out of technical assistance, sanitary and hygiene education, feasibility studies, capacity-building, social promotion, final designs, works delivery and liquidation and post-investment technical assistance related to a Small Town Subproject under Part B of the Project;

(qq) “Small Town CS Contract” means any of the contracts executed between VMCS (through UGP) and an CS for the supervision of a Small Town Subproject under Part B of the Project;

(rr) “Small Town Delegation Contract” means any of the contracts executed between a District Municipality and a OE for the purposes of delegating the provision of water supply and sanitation services under Part B of the Project;

(ss) “Small Town Implementation and Cofinancing Agreement” means any agreement executed between VMCS and a District Municipality for the co-financing, the implementation and the execution of a Small Town Subproject carried out under Part B of the Project;

(tt) “Small Town Operating Agreement” means any agreement executed among VMCS, a District Municipality and a OE as a follow-up operation and investment in the carrying out of Small Town Subprojects under Part B of the Project;

(uu) “Small Town Subproject” means any investment subproject for the benefit of District Municipalities to be carried out under Part B of the Project;

(vv) “SNIP” means *Sistema Nacional de Inversión Pública*, the Borrower’s national system of public investment created and operating under the Borrower’s Law No. 27293, dated June 28, 2000 and establishing principles, processes, methodologies and technical guidelines for every phase of public investment in the Borrower’s territory.

(ww) “Social Guidelines” means the social guidelines acceptable to the Bank for carrying out Community Subprojects, Rural Subprojects and Small Town

Subprojects, including special provisions for indigenous peoples, as annexed to the Revised Operational Manual;

(xx) “Special Account” means the account referred to in Part B.1 of Schedule 1 to this Agreement;

(yy) “UGP” means *Unidad de Gestión del Proyecto*, the Project management unit within VMCS in charge of the day-to-day management of the Project;

(zz) “VMCS” means *Viceministerio de Construcción y Saneamiento*, the Borrower’s Vice Ministry of Construction and Sanitation within MVCS; and

(aaa) “Work Contractor” means *Contratista para la Obra*, any contractor, including NGOs and private firms, that is selected by UGP for the carrying out of works for: (i) Small Town Subprojects under Part B of the Project, and (ii) Rural Subproject under Parts A.3 and A.4 of the Project, in accordance with criteria set forth in the Revised Operational Manual.

(bbb) “Work Contractor Contract” means any of the contracts executed between VMCS (through UGP) and a Work Contractor for the carrying out of: (i) works for a Small Town Subproject under Part B of the Project; or (ii) works estimated to cost more than \$60,000 for a Rural Subproject under Part A.3 and A.4 of the Project;

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed a reference to VMCS.

## 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 this Agreement, an amount equal to fifty million Dollars (\$50,000,000), as such amount may be converted from time to

time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the 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 goods, works and services required for the Project and to be financed out of the proceeds of the Loan, and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be December 31, 2008 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) 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 (b) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the 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 Loan, the Borrower shall, during the Conversion Period, pay interest on such Loan amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the 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 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 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 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.

Section 2.10. The Borrower’s Minister at the time responsible for Finance or the Borrower’s Director General at the time responsible for public indebtedness, or any person or persons whom he or she shall designate in writing is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement, Part B of Schedule 1 to this Agreement and Article V of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A.1 and A.2 of the Project through FONCODES and UGP and Parts A.3, A.4, A.5, B, C and D of the Project, through VMCS and UGP, with due diligence and efficiency and in conformity with appropriate engineering, managerial, technical, financial, social and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and services (other than consultant services), 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. Without limitation upon the provisions of Section 3.01 of this Agreement and except as the Borrower and the Bank shall otherwise agree, the Borrower, through FONCODES for Parts A.1 and A.2 of the Project, and through VMCS and UGP for Parts A.3, A.4, B, C and D of the Project, shall carry out the Project in accordance with the implementation program set forth in Schedule 5 to this Agreement.

Section 3.04 For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower (through VMCS and UGP) 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 continued achievement of Project objective; and
- (b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower (through FONCODES, VMCS and UGP) shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

- (b) The Borrower (through FONCODES, VMCS and UGP) shall:
  - (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles



consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) 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 as a part of the information to be provided in each such report a management letter concerning internal controls; 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 FMRs or statements of expenditure, the Borrower (through FONCODES, VMCS and UGP) 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 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 FMRs or 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. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 5 of this Agreement, the Borrower (through UGP) shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Bank**

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

(a) The General Sanitation Services Law or the Municipal Organic Law or any provision thereof shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

(b) The CIDA Grant Agreement shall have failed to become effective by not later than [April 1, 2004] or such later date as the Bank may agree; provided, however, 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.

- (c) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of the CIDA Grant shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the CIDA Grant Agreement; and
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:
  - (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the CIDA Grant 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 (k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Termination**

Section 6.01. The date March 12, 2003, is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

**Representative 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  
Jr. Junín 319  
Lima, Peru

Facsimile:

(511) 426-8500

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)

Facsimile:

(202) 477-6391

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/ Javier Silva Ruete

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ James D. Wolfenson

Authorized Representative

HONORARY WITNESS

/s/ Alejandro Toledo  
President of the Republic of Peru

**SCHEDULE 1****Withdrawal of the Proceeds of the Loan**Part A: General

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods and works for Community Subprojects under Parts A.1 and A.2 of the Project	1,100,000	60%
(2) Works for Small Town Subprojects under Part B of the Project	3,870,000	60%
(3) Goods (other than those for Community Subprojects and Rural Subprojects)	865,000	100% of foreign expenditures; 80% of local expenditures
(4) Consultants' services and audits	25,900,000	80%
(5) Fee	500,000	Amounts due under Section 2.04 of this Agreement

<u>Category</u>	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Goods and works for Rural Subprojects under Part A.3 and A.4 of the Project	17,120,000	60%
(6) Training	645,000	80%
TOTAL	<u>50,000,000</u>	

2. For purposes of this Schedule the terms:

(a) “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower;

(b) “local expenditures” means expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower; and

(c) “training” means the reasonable costs of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel and per-diem of trainers and trainees; and (iii) any other expenses related to training (including study tours and workshops) to be carried out under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$5,000,000, may be made in respect of Categories (1) through (4) of the table set forth in Part A.1 of this Schedule, on account of payments made for expenditures within twelve months immediately before that date (but in no case before July 18, 2002).

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works (other than works for Community Subprojects, Rural Subprojects and Small Town Subprojects) under contracts estimated to cost less than \$250,000 equivalent; (b) goods (other than goods for Community Subprojects, Rural Subprojects and Small Town Subprojects) under contracts estimated to cost less than \$250,000 equivalent; (c) services provided by consulting firms under contracts estimated to cost less than \$100,000; (d) services provided by individual consultants under contracts estimated to cost less than \$50,000; (e) goods and works for Community Subprojects, Rural Subprojects and for Small Town Subprojects, and (f) training; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

Part B: Special Account

1. The Borrower (through VMCS) shall open and maintain in Dollars a special deposit account, in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first FMR referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of FMRs, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a FMR pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of FMRs, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:



(a) if the Bank determines at any time that any FMR does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of FMRs.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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.

(d) Refunds to the Bank made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A**

**to**

**SCHEDULE 1**

**Operation of Special Account**

**When Withdrawals Are Not Made**

**On the Basis of FMRs**

1. For the purposes of this Annex the term “Authorized Allocation” means an amount of \$3,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$1,000,000 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 shall equal or exceed \$4,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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 such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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 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 for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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 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 as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**

**to**

**SCHEDULE 1**

**Operation of Special Account**

**When Withdrawals Are Made**

**On the Basis of FMRs**

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a FMR.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the FMR accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to increase the sustainable use of water supply and sanitation facilities in rural areas and small towns in the territory of the Borrower while emphasizing improvements in hygiene practices and training in operation and maintenance.

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 objective:

#### Part A: Water Supply and Sanitation in Rural Areas

1. Community Subprojects for the Rehabilitation and Expansion of Water Supply and Sanitation Services

Rehabilitation and expansion of piped water supply and sanitation services for Communities in the localities listed under Schedule 7 to this Agreement.

2. Community Subprojects for the Construction of Water Supply and Sanitation Services

Construction of water supply and sanitation services for Communities including piped networks with house connections and/or multi-family taps, improved point sources and non-conventional technologies in the localities listed under Schedule 7 to this Agreement.

3. Rural Subprojects for the Rehabilitation and Expansion of Water Supply and Sanitation Services

Rehabilitation and expansion of piped water supply and sanitation services for Communities in the Initial Project Area and in the Expanded Project Area.

4. Rural Subprojects for the Construction of Water Supply and Sanitation Services

Construction of water supply and sanitation services for Communities including piped networks with house connections and/or multi-family taps, improved point sources and non-conventional technologies in the Initial Project Area and in the Expanded Project Area.

5. Technical Assistance to District Municipalities and Communities

Provision of technical assistance for the rehabilitation, expansion and/or construction of water supply and sanitation services through OTSs and OSs in favor of:

(a) JASSs, by providing training in the areas of accounting, administration system repair operation and maintenance of the systems and hygiene education; and

(b) District Municipalities for the purposes of long-term administrative and technical support to JASSs.

Part B: Water Supply and Sanitation in Small Towns

1. Provision of technical assistance to District Municipalities for the purposes of entering into Small Town Delegation Contract and promoting efficient and sustainable use of water supply and sanitation services.

2. Rehabilitation, improvement and expansion of water supply and sanitation services in approximately 27 District Municipalities that have entered into Small Town Delegation Contract, including appropriate sanitation solutions.

Part C: Capacity Building

1. Institutional Strengthening of DNS

(a) Provision of technical assistance and training to strengthen DNS as the water supply and sanitation sector leader, including the preparation of policy and sector studies;

(b) Provision of technical assistance for the establishment of adequate norms and technical design standards for the water supply and sanitation sector, especially in rural areas and small towns;

(c) Provision of technical assistance for the strengthening of the legal framework for the water and sanitation sector; and

(d) Provision of technical assistance for the development of financial policies, investment funds and other financial instruments for the water and sanitation sector.

## 2. Sector Institutional Strengthening

(a) Provision of technical assistance, training, capacity-building and dissemination activities to VMCS, DNS, UGP, Regional Governments, District Municipalities, JASSs, OTSs, OSs, CGTSS, CSs and OEs for the purpose of promoting and enhancing sustainable water supply and sanitation services;

(b) Provision of technical assistance for the development and implementation of water and sanitation sector information systems; and

(c) Carrying out of applied scientific research for the development and sustainability of water and sanitation services.

## Part D: Project Management

Provision of technical assistance and equipment to support the operation of UGP and its regional offices for Project management, including external audits, and monitoring and evaluation systems.

\* \* \*

The Project is expected to be completed by June 30, 2008.

### SCHEDULE 3

#### Amortization Schedule

1. 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). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the 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 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</u> <u>(Expressed as a %)</u>
On each January 15 and July 15	8.33%
Beginning January 15, 2011 through January 15, 2016	
On July 15, 2016	8.37%

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

(a) To the extent that any proceeds of the 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 subparagraph (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 subparagraph 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 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: (a) 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 (b) 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 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.

## **SCHEDULE 4**

### **Procurement**

#### 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” dated May 2004 (the Procurement Guidelines) and with the provision of this Schedule.

##### Part B: International Competitive Bidding

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

##### Part C: Other Procurement Procedures

#### 1. National Competitive Bidding

(a) Goods and services other than consultant services estimated to cost less than \$350,000 but more than \$75,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; and

(b) Work estimated to cost less than \$3,000,000 but more than \$250,000 equivalent per contract may be procured under contract awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

#### 2. Shopping

(a) Goods and services other than consultant services estimated to cost \$75,000 equivalent or less per contract, may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Works estimated to cost less than \$250,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

### 3. Community Participation

With respect to Community Subprojects: (a) goods estimated to cost \$30,000 equivalent or less per contract; and (b) works estimated to cost \$60,000 equivalent or less per contract; shall be procured in accordance with community participation procedures acceptable to the Bank, as prescribed in the Revised Operational Manual and in accordance with the provision of paragraph 3.17 of the Guidelines.

## 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 works goods and services other than consultant services, 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:

- (i) each contract for goods to be procured in accordance with the procedures referred to in Part B above; and
- (ii) the first contract for goods to be procured in accordance with the procedures referred to in Part C.1 above,

the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two contracts to be procured in accordance with the procedures referred to in each of Part C.2 above, the following procedures shall apply:

- (i) prior to the selection of the supplier or contractor, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of the contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (h), 2 (i) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 5 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 (the Consultant Guidelines) and with the provisions of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.15 through 3.20 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants, estimated to cost less than \$350,000 equivalent per contract,

may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 20 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services (other than external audits) estimated to cost \$200,000 equivalent per contract or less, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services for external audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection. Services estimated to cost less than US\$100,000 equivalent per contract and in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, may be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines and for services estimated to cost less than US\$50,000 equivalent per contract, such contracts may be awarded to individual consultants on a sole-source basis.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank, for its review and approval, prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the

execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms: (i) estimated to cost \$100,000 equivalent or more, or (ii) awarded under Single Source, the procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants: (i) estimated to cost the equivalent of \$50,000 or more, or (ii) awarded under sole source, the report on the comparison of the qualifications and experience of candidates, and the terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 5 of Appendix 1 to the Consultant Guidelines shall apply.

Section III. Special Provisions

Part A: In addition and without limitation or restriction to any other provision set forth in this Schedule or the Guidelines, the following provisions shall govern all procurement of goods, works and non-consultant services under Section I of this Schedule:

1. No reference value shall be required for publication in the bidding documents.
2. Award of contracts shall be based exclusively on price and, whenever appropriate, shall take into account factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

3. The Borrower shall utilize standard bidding documents satisfactory to the Bank.

Part B: In addition and without limitation or restriction to any other provision set forth in this Schedule or the Consultant Guidelines, the following provisions shall govern all employment of consultants referred to in Section II of this Schedule:

1. Foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.
2. Foreign consultants shall not be required to legalize their proposals or any documentation related to such proposals with either Peruvian consulates, the Ministry of Foreign Affairs, or any Peruvian authorities, as a pre-condition to participating in the selection process.

**SCHEDULE 5****Implementation Program**1. General

The Borrower shall:

(a) through VMCS and UGP, carry out the Project or cause the Project to be carried out in accordance with a manual (the Revised Operational Manual), including the Environmental Guidelines, the Social Guidelines, the Annual Implementation Program, the updated Annual Procurement Plans and the Procurement Strengthening Action Plans, and except as the Bank shall otherwise agree, shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail;

(b) through FONCODES carry out or cause to be carried out, until the relevant works delivery and liquidation, the Community Subprojects under Parts A.1 and A.2 of the Project in accordance with the Execution Agreement and Revised Operational Manual, including the Environmental Guidelines, the Social Guidelines, the Annual Implementation Programs, the updated Annual Procurement Plans and the Procurement Strengthening Action Plans, and except as the Bank shall otherwise agree, shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail;

(c) through UGP maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objective thereof;

(d) maintain, until the completion of the Project, UGP as the Project management unit within VMCS responsible for overall Project planning, implementing, supervision, monitoring and evaluation, including: (A) preparing Annual Implementation Programs; (B) issuing Project implementation guidelines on priorities in targeted regions and viable packaging of contracts; (C) providing training and guidance to Regional Governments, District Municipalities, DNS, OTSs, OSs, CGTSs, CSs and OEs; (D) maintaining the Project impact monitoring system; (E) preparing procurement plans, terms of reference and short lists for consultants' services; and (F) the procurement processes of the goods, services, works and consultants services of the Project;



(e) ensure that UGP is staffed, at all times during the execution of the Project, by core professional staff in structure, in numbers and with experience and qualifications acceptable to the Bank, operating under terms of reference satisfactory to the Bank, and selected in accordance with competitive and transparent procedures satisfactory to the Bank, all as prescribed in the Revised Operational Manual;

(f) through its Ministry of Women and Social Development, maintain, until the completion of the execution of the Project, FONCODES with competent staff in adequate numbers with qualification and experience satisfactory to the Bank;

(g) maintain, until the completion of the execution of the Project, the Project Steering Committee; said Project Steering Committee shall convene at least once each quarter and shall submit minutes of said meetings to the Bank; FONCODES' participation in said Project Steering Committee shall end upon the works delivery and liquidation of Community Subprojects under Parts A.1 and A.2 of the Project;

(h) cause FONCODES (until the works delivery and liquidation of Community Subprojects under Parts A.1 and A.2 of the Project), VMCS and District Municipalities (until the completion of the execution of the Project) to enter into and thereafter implement the Contracts and the Agreements; all in terms and substance satisfactory to the Bank, and except as the Bank shall otherwise agree, shall not amend or waive any substantive provision of said Contracts and Agreements without the Bank's prior written approval. Said Contracts and Agreements will not be amended or waived if, in the opinion of the Bank, such amendments or waivers may materially and adversely affect the carrying out of the Project or the achievement of the objective thereof. In case of any conflict between the terms of said Contracts or Agreements and those of this Agreement, the terms of this Agreement shall prevail.

## 2. Semi-annual Progress Reports and Annual Reviews

The Borrower, through UGP and within the framework of SNIP, shall:

(a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about January 31 and July 31 of each year, starting on the first such date after the Effective Date, a semi-annual progress report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1(c) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date;

(b) review with the Bank, by February 28 and August 31 of each year, starting on the month following the presentation of the first semi-annual progress report, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter;

(c) by July 31, 2006; January 31, 2007; January 31, 2008 and December 31, 2008, or such other dates as the Bank shall agree upon, carry out jointly with the Bank annual reviews of the implementation of operations under the Project. The Annual Reviews shall cover the progress achieved in the implementation of the Project; and

(d) following such annual reviews, act promptly and diligently to take any corrective action as shall be recommended by the Bank.

### 3. Annual Project Audits

The Borrower, through UGP, shall:

(a) not later than October 15 of each year of Project implementation, starting on October 15, 2006, contract physical audits for each year of Project implementation, with independent auditors of experience and qualifications satisfactory to the Bank operating under terms of reference satisfactory to the Bank, such audits to focus on a sample of Community Subprojects, Rural Subprojects and Small Town Subprojects, so as to review individual Contracts and Agreements, ascertain compliance with their terms and conditions, inspect physical progress of civil works and reconcile it with financial expenses incurred, and verify compliance with the Environmental Guidelines and the Social Guidelines;

(b) not later than April 15 of each year of Project implementation, starting April 15, 2007, furnish to the Bank the report of such audits by said auditors; and

(c) not later than May 30 of each year of Project implementation, starting May 30, 2007, discuss the results of such audits with representatives of District Municipalities, Communities involved in Project activities, OTSs, OSs, CGTSSs, CSs, and OEs taking into account the Bank's comments thereon.

### 4. Annual Procurement Audits

The Borrower shall:

(a) through UGP, not later than October 15 of each year of Project implementation, starting on October 15, 2006, contract annual procurement audits for each year of Project implementation, with independent auditors of experience and qualifications satisfactory to the Bank operating under terms of reference satisfactory to the Bank and have all the procurement records and documentation for each fiscal year of the Project audited, in accordance with appropriate procurement auditing principles;

(b) through UGP, not later than April 15 of each year of Project implementation, starting April 15, 2007, furnish to the Bank, the procurement audit report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested;

(c) through UGP and FONCODES, furnish to the Bank or to said auditors such other information concerning said procurement records and documentation as the Bank shall from time to time reasonably request; and

(d) through UGP and FONCODES, not later than May 30 of each year of Project implementation, starting May 30, 2007, discuss the results of such audits with the Bank and take into account the Bank's comments thereon.

5. Annual Impact Evaluation

The Borrower, through UGP shall:

(a) not later than August 1 of each year of Project implementation, starting on August 1, 2006, contract impact evaluation studies with independent consultants of experience and qualifications satisfactory to the Bank, operating under terms of reference satisfactory to the Bank, such studies to assess overall Project progress and outcomes, with emphasis on educational and health aspects;

(b) not later than November 1 of each year of Project implementation, starting on November 1, 2006, and December 15, 2008, furnish to the Bank, for its review and comments, the findings and recommendations of each such study by said consultants; and

(c) not later than December 1 of each year of Project implementation, starting on December 1, 2006, review with Communities, District Municipalities and NGOs involved in Project activities, the results of each such impact evaluation study taking into account the Bank's comments thereon.

## 6. Annual Implementation Programs and Annual Procurement Plan

The Borrower, through UGP, shall:

(a) furnish to the Bank, on or about November 30 of each year of Project implementation, starting on November 30, 2006, the updated annual implementation program and the updated annual procurement plan, both satisfactory to the Bank, detailing all activities to be financed under the Project as well as all procurement activities for the Project for the following year; and

(b) review with the Bank, by December 31 of each year of Project implementation, starting on December 31, 2006, or such later date as the Bank shall request, the program and the plan referred to in subparagraph (a) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the program and the plan based on its recommendations and the Bank's views on the matter.

In case of any conflict between the terms of the Annual Implementation Program or the Annual Procurement Plan and those of this Agreement, the terms of this Agreement shall prevail.

## 7. Community Subprojects

(a) Prior to the approval of any proposed Community Subproject, the Borrower (through FONCODES and UGP), shall ensure that the OTS gives full support for the establishment of NE-JASSs, as needed, and applies the Environmental Guidelines and the Social Guidelines, in order to:

- (i) carry out an environmental and social screening and assessment of such proposed Community Subproject; and
- (ii) prepare recommendations for the prevention, mitigation and remediation of any potential environmental or social damage arising from the implementation of such proposed Community Subproject.

(b) During the implementation of any Community Subproject, the Borrower (through FONCODES and UGP) shall ensure that OTS carries out the recommendations of the environmental assessment referred to in subparagraph (a) (ii) above as prescribed in the Revised Operational Manual.

(c) With respect to Parts A.1 and A.2 of the Project, the Borrower: (i) through FONCODES and UGP shall enter into: (A) Contracts with OSs, (the Community OS Contracts) under terms and conditions satisfactory to the Bank, for the purposes of ensuring the cooperation of such OSs in the supervision of Parts A.1 and A.2 of the Project by providing continuous supervision organization, training and education services to NE-JASSs for the carrying out of Community Subprojects; and (B) Contracts with OTSs, (the Community OTS Contracts) under terms and conditions satisfactory to the Bank, for the purposes of ensuring the cooperation of such OTSs in the implementation of Parts A.1 and A.2 of the Project by providing services to the NE-JASSs, Communities and District Municipalities for the carrying out of Community Subprojects; and (ii) through FONCODES and the District Municipalities shall enter into Agreements with NE-JASSs, OSs and OTSs (Community Cofinancing Agreements) under terms and conditions satisfactory to the Bank for the purposes of ensuring the cooperation of such NE-JASSs, OSs, OTSs in the cofinancing and execution of a Community Subproject.

(d) The Borrower (through FONCODES, UGP and District Municipalities) shall ensure that OSs, OTSs and NE-JASSs exercise their respective rights and carry out their respective obligations under each Community OS Contract, Community OTS Contract and Community Cofinancing Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project and, except as the Bank shall otherwise agree, the Borrower (through FONCODES, UGP and District Municipalities) shall ensure that OSs, OTSs and NE-JASSs do not assign, amend, abrogate, waive or fail to enforce any such contract or agreement or any provision thereof.

(e) The Community OS Contracts, Community OTS Contracts and Community Cofinancing Agreements for the carrying out of Community Subprojects shall be concluded under terms and conditions described in more detail in the Revised Operational Manual and which shall include the following:

- (i) a copy of the approved Community Subproject with its budget, its execution timetable, its disbursement timetable and its performance indicators;
- (ii) the obligation of each UGP, FONCODES, District Municipalities, OTSs, OSs, and NE-JASSs to: (A) carry out the activities with due diligence and efficiency and in accordance with sound administrative, financial, engineering, social, and environmental standards and in accordance with the provisions of the Revised Operational Manual for a duration of time to be defined in the Revised Operational Manual; (B) maintain adequate records to reflect, in accordance with simple and sound

accounting practices defined in the Revised Operational Manual, the operations, the resources and expenditures in respect of the Community Subproject; (C) maintain adequate reporting in accordance with the standards specified in the Revised Operational Manual; and (D) make any minimum contribution to the total investment costs as defined in the Revised Operation Manual;

- (iii) the requirement that: (A) the goods, works and services to be financed from the proceeds for the Community Subprojects shall be procured in accordance with the procedures set forth in Schedule 4 to this Agreement and as prescribed in the Revised Operations Manual; and (B) such goods, works and services shall be used exclusively in the carrying out of the activities financed by the Community Subproject;
- (iv) the right of VMCS and UGP to inspect, by themselves or jointly with FONCODES and the Bank, if the Bank shall so request, during the implementation of the Project, the goods, works, sites and constructions included in the activities financed by the Community Subprojects, the operations thereof and any relevant records and documents;
- (v) the right of VMCS and UGP to obtain all information as VMCS, UGP or the Bank shall reasonably request regarding the administration, operations and financial conditions of the activities financed by the Community Subprojects; and
- (vi) (A) the right of FONCODES and UGP to suspend and terminate the right of any OS, OTS or NE-JASS to use the proceeds of the Community OS Contract, Community OTS Contract or Community Cofinancing Agreement; and (B) the obligation of any OS, OTS or NE-JASS to refund any used portion of a Community OS Contract, Community OTS Contract or Community Cofinancing Agreement for the implementation of the Community Subproject to UGP; upon failure by any OS, OTS or NE-JASS to perform any of its obligations under said contracts and agreements.

(f) At the end of the implementation of the Community Subprojects for localities listed in Schedule 7 to this Agreement, the Borrower will cause FONCODES to submit to UGP and to the Bank, if the Bank shall so request, all the information, records and supporting documentation related to the

implementation of said Community Subprojects, including, works delivery and liquidation, feasibility studies, final designs, supervision, procurement and financial records.

## 8. Rural Subprojects

(a) Prior to the approval of any proposed Rural Subproject, the Borrower (through VMCS and UGP), shall ensure that the OTS gives full support for the establishment of JASSs, as needed, and applies the Environmental Guidelines and the Social Guidelines, in order to:

- (i) carry out an environmental and social screening and assessment of such proposed Rural Subproject; and
- (ii) prepare recommendations for the prevention, mitigation and remediation of any potential environmental or social damage arising from the implementation of such proposed Rural Subproject.

(b) During the implementation of any Rural Subproject, the Borrower (through VMCS and UGP) shall ensure that OTS carries out the recommendations of the environmental assessment referred to in subparagraph (a) (ii) above as prescribed in the Revised Operational Manual.

(c) With respect to Parts A.3 and A.4 of the Project, the Borrower:

- (i) through UGP shall enter into: (A) Contracts with OSs (Rural OS Contracts), under terms and conditions satisfactory to the Bank, for the purposes of ensuring the cooperation of such OSs in the supervision of Parts A.3 and A.4 of the Project by providing continuous supervision, organization, training and education services to JASSs for the carrying out of Rural; and (B) Contracts with OTSs (Rural OTS Contracts), under terms and conditions satisfactory to the Bank, for the purposes of ensuring the cooperation of such OTSs in the implementation of Parts A.3 and A.4 of the Project by providing services to the JASSs, Communities and District Municipalities for the carrying out of Rural Subprojects; and

(ii) through VMCS shall enter into: (A) Agreements with District Municipalities (Rural Framework Agreements) under terms and conditions satisfactory to the Bank for the purposes of carrying out Rural Subprojects; and (B) Agreements with District Municipalities and JASSs (Rural Cofinancing Agreements) under terms and conditions satisfactory to the Bank, for the purposes of cofinancing and executing Rural Subprojects.

(d) The Borrower (through VMCS, UGP and District Municipalities) shall ensure that OSs, OTSs and JASSs exercise their respective rights and carry out their respective obligations under each Rural OS Contract, Rural OTS Contract, Rural Framework Agreement, and Rural Cofinancing Agreement, in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project and, except as the Bank shall otherwise agree, the Borrower (through VMCS, UGP and the District Municipalities) shall ensure that OSs, OTSs, and JASSs do not assign, amend, abrogate, waive or fail to enforce any such contract or agreement or any provision thereof.

(e) The Rural OS Contracts, the Rural OTS Contract, the Rural Framework Agreements, and the Rural Cofinancing Agreements for the carrying out of Rural Subprojects shall be concluded under terms and conditions described in more detail in the Revised Operational Manual and which shall include the following:

- (i) a copy of the approved Rural Subproject with its budget, its execution timetable, its disbursement timetable and its performance indicators;
- (ii) the obligation of each VMCS, UGP, District Municipalities, OSs, OTSs and JASSs to: (A) carry out the activities with due diligence and efficiency and in accordance with sound administrative, financial, engineering, social, and environmental standards and in accordance with the provisions of the Revised Operational Manual for a duration of time to be defined in the Revised Operational Manual; (B) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the Revised Operational Manual, the operations, the resources and expenditures in respect of the Rural Subproject; (C) maintain adequate reporting in accordance with the standards specified in the Revised Operational Manual; and (D) make any minimum contribution to the total investment costs as defined in the Revised Operation Manual;



- (iii) the requirement that: (A) the goods, works and services to be financed from the proceeds for the Rural Subprojects shall be procured in accordance with the procedures set forth in Schedule 4 to this Agreement; and (B) such goods, works and services shall be used exclusively in the carrying out of the activities financed by the Rural Subproject;
- (iv) the right of VMCS to inspect, by itself or jointly with UGP and the Bank, if the Bank shall so request, during the implementation of the Project, the goods, works, sites and constructions included in the activities financed by the Rural Subprojects, the operations thereof and any relevant records and documents;
- (v) the right of VMCS to obtain all information as VMCS, UGP or the Bank shall reasonably request regarding the administration, operations and financial conditions of the activities financed by the Rural Subprojects; and
- (vi) (A) the right of the VMCS and UGP to suspend and terminate the right of any OS, OTS or JASS to use the proceeds of the Rural OS Contracts, Rural OTS Contracts, Rural Framework Agreements or Rural Cofinancing Agreements; and (B) the obligation of any OS, OTS or JASS to refund any used portion of the Rural OS Contracts, Rural OTS Contracts, Rural Framework Agreements or Rural Cofinancing Agreements for the implementation of the Rural Subprojects to UGP, upon failure by any OS, OTS or JASS to perform any of its obligations under said contracts and agreements.

9. Small Town Subprojects

- (a) With respect to Part B of the Project, the Borrower shall:
  - (i) through VMCS, enter into and thereafter implement Small Town Implementation and Cofinancing Agreements with District Municipalities, under terms and conditions satisfactory to the Bank, for the purposes of ensuring the participation of such Municipalities in the implementation and cofinancing of such Part of the Project, including the obligation of each such District Municipality to monitor the application of the Environmental Guidelines and Social

Guidelines by CGTSs, CSs and/or OEs in the carrying out of any civil work for Small Town Subprojects;

- (ii) through UGP, enter into and thereafter implement Small Town CGTS, Contracts with a CGTS, under terms and conditions satisfactory to the Bank, for the purposes of carrying out technical assistance, sanitary and hygiene education, feasibility studies, capacity building activities, social promotion, final designs and works delivery and liquidation related to Small Town Subprojects;
  - (iii) through UGP, enter into a Small Town CS Contract with a CS, under terms and conditions satisfactory to the Bank, for purposes of the supervision of Small Town Subprojects;
  - (iv) through a District Municipality, enter into and thereafter implement a Small Town Delegation Contract with a OE for the purposes of delegating the provision of water supply and sanitation services;
  - (v) through VMCS, enter into and thereafter implement a Small Town Operating Agreement with a District Municipality and a OE, under terms and conditions satisfactory to the Bank, for the purposes of carrying-out follow-up operational improvements and investments on Small Town Subprojects; and
  - (vi) through UGP, enter into and thereafter implement a Work Contractor Contract with a Work Contractor, under terms and conditions satisfactory to the Bank, for the purposes of carrying-out works for a Small Town Subprojects.
- (b) The Borrower (through VMCS, UGP and District Municipalities) shall ensure that the CGTSs, OSs, OEs and Work Contractors exercise their respective rights and carry out their respective obligations under each Small Town Implementation and Financing Agreements, Small Town CGTS Contracts, Small Town CS Contracts, Small Town Delegation Contract, Small Town Operating Agreements and Work Contractor Contracts, in such a manner as to protect the interests of the Borrower

and the Bank and to accomplish the purposes of the Project and, except as the Bank shall otherwise agree, the Borrower (through VMCS, UGP and/or District Municipalities) shall ensure that the CGTSs, CSs, OEs and Work Contractors do not assign, amend, abrogate, waive or fail to enforce any of the said contracts or agreements or any provision thereof.

(c) The Agreements for the carrying out of Small Town Subprojects shall be concluded under terms and conditions described in more detail in the Revised Operational Manual and which shall include the following:

- (i) a copy of the approved Small Town Subproject with its budget, its execution timetable, its disbursement timetable and its performance indicators;
- (ii) the obligation of VMCS, UGP, District Municipalities, CGTSs, CSs, Work Contractors and OEs to: (A) carry out the activities with due diligence and efficiency and in accordance with sound administrative, financial, engineering, social, and environmental standards and in accordance with the provisions of the Revised Operational Manual for a duration of time to be defined in the Revised Operational Manual; (B) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the Revised Operational Manual, the operations, the resources and expenditures in respect of the Small Town Subproject; (C) maintain adequate reporting in accordance with the standards specified in the Revised Operational Manual; and (D) for District Municipalities exclusively, make a minimum contribution to the total investment costs of 40% as defined further in the Revised Operation Manual;
- (iii) the requirement that: (A) the goods, works and services to be financed from the proceeds of the Agreements shall be procured in accordance with the procedures set forth in Schedule 4 to this Agreement; and (B) such goods, works and services shall be used exclusively in the carrying out of the activities financed by the Small Town Subproject;
- (iv) the right of VMCS to inspect, by itself or jointly with UGP and the Bank, if the Bank shall so request, at any time during the implementation of the Project, the goods, works, sites and

constructions included in the activities financed by the Small Town Subprojects, the operations thereof and any relevant records and documents;

- (v) the right of VMCS to obtain all information as VMCS, UGP or the Bank shall reasonably request regarding the administration, operations and financial conditions of the activities financed by the Small Town Subprojects; and
- (vi) (A) the right of the VMCS to suspend and terminate the right of the CGTSs, CSs, OEs and Work Contractors to use the proceeds of the contracts and agreements for the implementation of the Small Town Subprojects; and (B) the obligation of the CGTSs, CSs, OEs and Work Contractors to refund any used portion of the Small Town Subprojects to UGP, upon failure by them to perform any of their obligations under said contracts and agreements.

**SCHEDULE 6****Performance Indicators**

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Borrower and the Bank:

<b>Performance Indicators</b>	<b>Target Dates</b>			
	<b>06/30/06</b>	<b>12/31/06</b>	<b>12/31/07</b>	<b>12/31/08</b>
1. Number of people with access to water services in the Communities covered under Part A of the Project.	12,100	290,000	414,800	685,000
2. Number of people with access to sanitation services in the Communities covered under Part A of the Project.	10,890	261,000	373,320	616,500
3. Number of new and rehabilitated systems under Part A of the Project whose water samples show residual chlorine greater or equal to 0.3 ppm in the farthest network point from the source.	22	508	820	1153
4. Number of Communities with systems providing continuous water service for at least 12 hours a day.	22	508	820	1,153
5. Number of JASS operating and maintaining the systems with updated records of	22	508	820	1,153

users showing monthly household payments				
6. Number of District Municipalities with updated inspection records showing at least one annual inspection of each of the JASSs under its jurisdiction.	7	107	197	292

Performance Indicators	Target Dates			
	06/30/06	12/31/06	12/31/07	12/31/08
7. Number of Communities with increasing percentage of households demonstrating adequate handwashing practices.	6 localities with 20% of households with adequate practices	265 localities with 40% of households with adequate practices	490 localities with 50% of households with adequate practices	695 localities with 60% of households with adequate practices
8. Number of District Municipalities that have executed Small Town Delegation Contracts.	6	7	17	25
9. Number of OEs with operational income greater or equal to 110% its operational expenditures.	0	7	10	25
10. Number of systems under Part B of the Project whose water samples show with residual chlorine greater or equal to 0.3 ppm in the farthest network point from the source.	0	10	17	25
11. Number of systems under Part B of the Project providing continuous water service for at least 16 hours a day.	0	10	17	25
12. Number of systems under Part B of the Project issuing at least 80% of water bills based on micrometering.	0	0	0	5

13. Water and sanitation norms and technical design standards for rural areas and small towns.	Have been issued through a Ministerial Resolution adopted by MVCS.			
--	--	--	--	--

Performance Indicators	Target Dates			
	06/30/06	12/31/06	12/31/07	12/31/08
14. A sectorial information system including information from SEDAPAL (Lima water utility company), and from at least 90% of District Municipalities under Parts A and B of the project.	Has been implemented and has 2005 SEDAPAL data	Has been implemented and has 2005 information data.	Has been implemented and has 2006 information data	Has been implemented and has 2007 information data
15. Sanitation policy for intervention in rural areas and small towns	Issued through a Ministerial Resolution adopted by MVCS.			



**SCHEDULE 7****FONCODES List**

<b>PART OF THE PROJECT</b>	<b>DISTRICT</b>	<b>LOCALITY</b>
<b><i>DEPARTMENT OF AYACUCHO (22)</i></b>		
Part A.1	CARHUANCA	CHILICRUZ
Part A.1	CARHUANCA	SAN MIGUEL DE RAYME
Part A.1	ACCOMARCA	HUARCAS
Part A.1	ACCOMARCA	PONGOCOCHA
Part A.1	ACCOMARCA	PUNTURCO
Part A.1	ACCOMARCA	PITECC – ARAPACACANCHA
Part A.1	HUAMBALPA	SAN ANTONIO DE COCHA
Part A.1	HUAMBALPA	ESCORNO LIMARECC
Part A.1	HUAMBALPA	CHURIACHUO
Part A.1	HUAMBALPA	RAYMINA
Part A.1	HUAMBALPA	SAN JOSE DE HUANQUISPA
Part A.1	HUAMBALPA	PACCAYPATA
Part A.1	HUAMBALPA	CAYANTO
Part A.1	SARHUA	CCECHUGUA
Part A.1	SARHUA	HUARCAYA
Part A.1	SARHUA	TOMANGA
Part A.1	SARHUA	AUQUILLA
Part A.1	SARHUA	APARO
Part A.1	COLCA	QUILLA
Part A.1	COLCA	COLCA
Part A.1	COLCA	SAN JOSE DE SUCRE
Part A.2	HUANCAPI	PITAHUA
<b><i>DEPARTMENT OF AREQUIPA (22)</i></b>		
Part A.1	QUICACHA	QUICACHA – TIERRAS BLANCAS
Part A.2	QUICACHA	TAMBO
Part A.1	QUICACHA	TONCO
Part A.2	CHAPARRA	ACHANIZO
Part A.2	HUANU – HUANU	TOCOTA
Part A.1	VIRACO	RITUY
Part A.1	VIRACO	ARECOCHA – YASO
Part A.1	MACHAHUAY	COTANAY
Part A.2	MACHAHUAY	HUASICA

Part A.1	MACHAHUAY	ARHUIN – TAPARZA
Part A.1	MACHAHUAY	CUYANCA
Part A.1	ANDARAY	ANDARAY
Part A.1	TOME PAMPA	LOCRAHUANCA
Part A.2	PAMPAMARCA	SANTA ROSA
Part A.2	PAMPAMARCA	SECCSINSAYLLA
Part A.2	PAMPAMARCA	TECCA
Part A.2	HUAYNACOTAS	LUICHO
Part A.1	HUAYNACOTAS	VISBE
Part A.1	HUAYNACOTAS	TAURISMA
Part A.2	CHARCANA	ANDAMARCA
Part A.1	CHARCANA	CHARCANA
Part A.2	POLOBAYA	POLOBAYA
<b><i>DEPARTMENT OF HUANUCO (11)</i></b>		
Part A.1	PACHAS	BELLAVISTA
Part A.1	PACHAS	ACLLAHUAYIN
Part A.1	PACHAS	LAGCHI
Part A.1	LLATA	CANCHAPAMPA
Part A.1	LLATA	PAMPAS DEL CARMEN
Part A.1	PANAO	YANUNA
Part A.1	PANAO	HUANCHAG CENTRO
Part A.1	PANAO	COLICOCHA
Part A.1	UMARI	SANTO TORIBIO DE LA PUNTA
Part A.1	UMARI	TAMBILLO
Part A.1	UMARI	HUANIN
<b><i>DEPARTAMENTO DE PASCO (4)</i></b>		
Part A.1	VILLA RICA	SAN JUAN DE CACAZU
Part A.1	VILLA RICA	PUETE PAUCARTAMBO
Part A.1	VILLA RICA	MAIME
Part A.1	VILLA RICA	SAN MIGUEL DE ENEÑAS