

Public Disclosure Authorized

CONFORMED COPY

Japanese Grant Agreement

(Irrigation Subsector Project)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

as Administrator of Grant Funds
provided by JAPAN

Dated June 28, 1993

JAPANESE GRANT AGREEMENT

AGREEMENT, dated June 28, 1993, between REPUBLIC OF PERU (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND

Public Disclosure Authorized

DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by JAPAN (Japan).

WHEREAS (A) pursuant to a letter agreement dated July 30, 1990 between Japan and the Bank and International Development Association (the Association), Japan has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of such letter agreement;

WHEREAS (B) Japan has agreed to make available to the Recipient a grant out of said grant funds (the Grant) to finance the cost of carrying out the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;

(ix) Sections 10.01, 10.03 and 10.04; and

(x) Article XI.

(b) The General Conditions shall be modified as follows:

- (i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank and the Association referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (ii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
- (iii) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (iv) the term "Loan", wherever used in the General Conditions, means the Grant;
- (v) the term "Loan Account", wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
- (vi) the term "Project", wherever used in the General Conditions, means the technical assistance described in Schedule 2 to this Agreement; and
- (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in yen; provided, however, that if the expenditures to be financed out of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of

such withdrawal."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth; and the following terms have the following meanings:

- (a) "yen" and "¥" mean the currency of Japan;
- (b) "Users' Associations" means the Recipient's Juntas de Usuarios; and
- (c) "UNDP" means United Nations Development Programme.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount of fifty-six million five hundred thousand yen (¥56,500,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Grant.

Section 2.03. The Closing Date shall be July 30, 1994, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. The Recipient, through its Ministry of Agriculture, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods and consultants' services required for the Project and

to be financed out of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall maintain or cause to be maintained records and separate 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 Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six 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 Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient 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 Administrator has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Administrator'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 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 3.04. (a) Except as the Recipient and the Administrator may otherwise agree, the Recipient shall enter into an agreement ("the Management Agreement") with UNDP for the administration of consultants' contracts and the workshop and for the procurement of goods. The Recipient shall provide a draft of the Management Agreement to the Administrator for its review and approval.

(b) The Recipient shall exercise its rights under the Management Agreement in such a manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Grant and, except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Management Agreement or any provision thereof.

ARTICLE IV

Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto and upon the provision of evidence satisfactory to the Administrator that the Management Agreement has been executed by the parties thereto and declared effective.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE V

Representation

Section 5.01. The Minister of Economy and Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Minister of Economy and Finance
Ministry of Economy and Finance
Jirón Junín 319
Lima,
Peru

Fax:

282194

With copy to:

Dirección General de Crédito Público
Jirón Junín 319
Lima
Perú

For the Administrator:

Director
Country Department I
Latin America and the Caribbean
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:

197688 (TRT),
248423 (RCA),
64145 (WUI)or
82987 (FTCC)

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

REPUBLIC OF PERU

By /s/ Jorge Camet Dickman
/s/ Ricardo Luna

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
as Administrator of the Grant

By /s/ S. Shahid Husain

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Grant

1. The table below sets forth the Categories of items to be financed out of the Grant, the allocation of the amount of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in Yen)</u>	<u>% of Expenditures to be Financed</u>
(1) Consultants' services and administrative support services	47,125,000	100%

(2)	Goods (including office equipment and vehicles)	1,875,000	100% of foreign expenditures and 82% of local expenditures
(3)	Workshop	7,500,000	100%
	Total	56,500,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; and

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient.

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 exceeding the equivalent of ¥8,000,000, may be made on account of payments made for expenditures before that date but after January 1, 1993.

SCHEDULE 2

Description of Technical Assistance

Preparation of the Irrigation Subsector Project through the provision of the technical assistance with respect to:

Part A: Institutional Development and Strengthening of Users' Associations

1. Identification of operational constraints at the Users' Associations level, including training requirements in the operational, managerial and administrative areas;

2. Planning of a technical assistance program to the Users Associations at a

national level, to be implemented as part of the Project; and

3. Technical assistance to the associations selected to participate in the first year of project implementation.

Part B: Technological Innovation

1. Design of a training program for producers and private technicians in water management at farm level;

2. Evaluation of the traditional irrigation practices and comparison of them with the new technologies being applied and tested in Peru; and

3. Design of a system of incentives for promotion of the most appropriate irrigation methods in terms of economic efficiency and environmental protection.

Part C: Assessment of Environmental Impact of Irrigation Projects in the Coastal Region

(a) Assessment of water logging and salinization of soils, pollution of lands, surface and groundwater from agricultural biocides and fertilizers, dilution of municipal and industrial wastes, and deterioration of the water quality and potential of transmitting communicable diseases; and

(b) Design of a plan to reduce the negative social and environmental impact of irrigation projects.

Part D: Privatization Workshop

Organization of a workshop to discuss issues related to the privatization of irrigation, including legal and administrative aspects of land and water right markets, and mechanisms of transfer of public irrigation infrastructure and management to irrigation districts or private developers.

Part E: Legal Framework

Preparation of the legal and regulatory framework for water resources management.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: Procurement Procedures

1. Local competitive bidding:

Goods may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Administrator and from suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. Shopping:

Items or groups of items estimated to cost less than the equivalent of \$2,500 dollars per contract, up to an aggregate amount not to exceed the equivalent of \$15,000 dollars, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guide-lines, in accordance with procedures acceptable to the Administrator.

Part B: Review of the Administrator of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$5,000 dollars or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Administrator has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Recipient in carrying out the Project, the Recipient

shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.
