November 6, 2018

His Excellency
Mr. Carlos Oliva
Minister of Economy and Finance
Ministry of Economy and Finance (MEF)
Jr. Junín 319
Lima, Perú

Re: Peru: Cusco Regional Development Project (Loan No. 8306-PE)
Amendment No. 2 to the Loan Agreement

Excellency:

Please refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and the Republic of Peru (the “Borrower”) for the Cusco Regional Development Project (“Project”) dated July 24, 2014 (“Loan Agreement”), as amended. The capitalized terms used in this letter (“Amendment Letter”) and not defined herein have the meaning ascribed to them in the Loan Agreement.

I also refer to the Borrower’s request through the Ministry of Economy and Finance (“MEF”) dated June 28, 2018 and a request from the Governor of Cusco to the MEF dated June 7, 2018 indicating a need to restructure the Project given the partial cancellation of loan proceeds effective June 28, 2018, and the subsequent reduction of the Project scope with focus on activities that will be completed by its Closing Date of January 31, 2019.

We are pleased to inform you that the Bank agrees with the Borrower’s request, and proposes to amend the Loan Agreement as follows:

1. Component 1.3 under the Project Description in Schedule 1 to the Loan Agreement is hereby deleted.

2. Component 2 under the Project Description in Schedule 1 to the Loan Agreement is hereby amended to read as follows:

“Component 2: Integrated Solid Waste Management

Improving the local capacity to clean streets and public places and to efficiently collect, transport and dispose of solid waste in the Provinces of Calca and Urubamba through, inter alia: (i) the construction of one new landfill in the Province of Urubamba; (ii) the strengthening of provincial and municipal administration’s institutional capacity in order to administer the management of solid waste facilities and services; (iii) the investments in solid waste services as the district level to improve collection, recycling and the cleaning

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of streets and public spaces; and (iv) the carrying out of communication campaigns in local communities for the promotion of adequate waste management practices and environmental education."

3. Component 3 under the Project Description in Schedule 1 to the Loan Agreement is hereby amended to read as follows:

"Component 3: Disaster Risk Management and Disaster Preparedness

Increasing the resilience of the local population and tourism infrastructure to natural disasters through, inter alia: (i) designing early warning systems to anticipate the flooding of the Patacancha river in Ollantaytambo and of the Kitamayu river in Pisaq; and (ii) designing an integrated approach to mitigate external geodynamic risks in the Ccochoq river basin in the Province of Calca."

4. The table under Section IV.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services (except for the technical assistance to private small and micro enterprise under the pilot competitive fund under Component 1.2 of the Project), and Training and Workshops under Component 1 of the Project.</td>
<td>2,227,924</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services provided as technical assistance to private small and micro enterprise under the pilot competitive fund of Component 1.2 of the Project.</td>
<td>1,285,848</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, consultants’ services, and Training and Workshops under Component 2 of the Project.</td>
<td>8,774,724</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, non-consulting services, consultants’ services, and Training and Workshops under Component 3 of the Project.</td>
<td>2,481,474</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Goods, non-consulting services, consultants’ services, Training and Workshops and Incremental Operating Costs, including financial audits under Component 4 of the Project.</td>
<td>1,283,815</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>16,053,785</td>
<td></td>
</tr>
<tr>
<td>“Category”</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be financed</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Cancelled amount effective June 28, 2018.</td>
<td>18,946,215</td>
<td></td>
</tr>
<tr>
<td>Original loan amount before cancellation.</td>
<td>35,000,000</td>
<td>”</td>
</tr>
</tbody>
</table>

5. The following Definitions in the Appendix to the Loan Agreement are hereby amended to read as follows:

“10. “Environmental and Social Management Plans” and the acronym “ESMPs” mean, collectively, the environmental and social management plans dated July, 2013 (acceptable to the Bank), prepared and adopted by PER Plan COPESCO in respect of the proposed construction of the solid waste landfills to be located in the Provinces of Calca and Urubamba, respectively, setting out mitigation, enhancement, monitoring and/or institutional measures, required to: (i) eliminate any adverse environmental and social impact of the respective activities; (ii) offset them, or reduce them to acceptable levels; and/or (iii) enhance any positive impacts thereof (including chance finding protocols for the handling of physical cultural resources, and when applicable the Indigenous Peoples Plans, the Abbreviated Resettlement Plans and the Social Inclusion Plan); as such plans may be revised, updated or supplemented from time to time with the prior written concurrence of the Bank.”

“25. “Provinces of Calca and Urubamba” means the provinces (administrative subdivision) of Calca and Urubamba pertaining to the Region of Cusco, or the respective successors thereto.”

All the terms and conditions of the Loan Agreement, except as amended hereby, shall remain in full force and effect.

Please confirm the Borrower’s agreement to the amendment by signing and dating this Amendment Letter in the spaces provided below. All other provisions of the Loan Agreement, except as amended through this Amendment Letter, shall remain in full force and effect. This Amendment Letter shall be executed in two (2) counterparts each of which shall be an original.

The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon receipt by the World Bank of one fully executed original of this Amendment Letter.
The Restructuring Paper dated November 6, 2018, will be disclosed on the Bank’s external website, and will include the revised indicators agreed upon between the Borrower and the Bank in light of the above restructuring.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Alberto Rodriguez
Director
Bolivia, Chile, Ecuador and Peru

AGREED:
REPUBLIC OF PERU

By:

Authorized Representative...
Name: JORGE ENRIQUE SIU RIVAS
Title: Director, General Directorate of Public Treasury
Date: 08 ENE. 2019

cc:
Mr. Jorge Enrique Siu Rivas, Director General
General Directorate of Public Treasury, MEF