Dear Sirs,

In response to the request for financial assistance made by the Ministry of Economy and Finance on behalf of the Republic of Peru, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Organismo Supervisor de las Contrataciones del Estado de la República del Perú (OSCE) ("the Recipient") a grant from the World Bank’s Institutional Development Fund ("IDF") for the benefit of the Republic of Peru ("Member Country"), in an amount not to exceed four hundred and twenty thousand United States Dollars (U.S.$ 420,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

The Member Country, through its Ministry of Economy and Finance, represents by confirming its agreement below, that has no objection and agrees to take all action necessary or appropriate to enable the Recipient to carry out the Project in the territory of the Member Country and to perform its obligations under this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. This Agreement shall become effective upon receipt by the World Bank of an original countersigned copy of this Agreement. Upon compliance with the above mentioned condition, the World Bank will send a notice of effectiveness to the Recipient (the "Effective Date").
Provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 (ninety) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Susan G. Goldmark
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

AGREED:

ORGANISMO SUPERVISOR DE LAS CONTRATACIONES DEL ESTADO DE LA REPUBLICA DEL PERU (OSCE)

By: 

Authorized Representative

Name: MAGALI ROJAS DELGADO

Title: Presidenta Ejecutiva

OSCE

Date: 17 OCT 2012

REPUBLIC OF PERU
MINISTRY OF ECONOMY AND FINANCE

By: 

Authorized Representative

Name: Luis Miguel Castilla Rubio

Title: Ministro de Economía y Finanzas

Date: 17 de octubre de 2012
Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I

Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) "Operational Manual" means the manual referred to in Section 2.03 (a) of this Agreement as the same may be amended from time to time with the agreement of the World Bank.

(b) "OSCE" means Organismo Supervisor de las Contrataciones del Estado de la República del Perú, the Recipient’s entity responsible for procurement supervision at the national level, as created and operating under the Recipient’s Legislative Decree No. 1017 (Ley de Contrataciones del Estado) dated April, 2009.

(c) "Participant" means any participant of the training and certification, selected through a competitive process, to participate in the pilot training program, referred to in Part I of Section 2.01 of this Agreement.

Article II

Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support the design and implementation of a sustainable training program on international best procurement practices and innovative procurement methods, in order to increase the efficiency and economy of the Recipient’s procurement system, particularly for the implementation of infrastructure projects. The Project consists of the following parts:

Part I. Training on International Best Practices and Methods and Certification of Experts

(a) Preparation and implementation of a pilot training program to selected Participants including, inter alia, three training modules focused on formation, administration and control of procurement contracts; and

(b) Evaluation of selected Participants upon completion of said pilot training program.
Part II. Planning, Organization and Evaluation of the Training Program of Procurement Experts

Development of a planning strategy for the Project including, *inter alia*: (a) the selection criteria for the Participants; (b) the mechanisms for the evaluation of the implementation of the pilot training referred in Part I; and (c) the design of a strategy for the dissemination and sustainability of said pilot training program.

Part III. Project Audit

Carrying out of the Project Audits.

2.02. *Project Execution Generally.* The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); (c) the Operational Manual; and (d) this Article II.

2.03. *Institutional and Other Arrangements.*

(a) For the purposes of the implementation of the Project, the Recipient shall carry out the Project, in accordance with the provisions of a manual satisfactory to the World Bank (the “Operational Manual”) setting forth the guidelines and procedures for the carrying out of the Project, including the procedures for the monitoring and evaluation of the Project (including the administrative, financial, accounting, auditing, procurement, disbursement, social requirements and safeguards);

(b) The Operational Manual may be amended by the Recipient from time to time with the prior approval of the World Bank. In the case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail;

2.04. *Project Monitoring, Reporting and Evaluation.* (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

2.05. *Financial Management.* (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and Non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants' services; and

(iii) The provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement
Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; and (F) Selection of Individual Consultants.

(d) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(e) Special Procurement Provisions. Without limitation to any other provisions set forth in this Section or the Consultant Guidelines, the following shall expressly govern the procurement of consultants’ services under this Section:

(i) foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.

(ii) foreign consultants shall not be required to authenticate any documentation related to their participation in the selection process with the Recipient’s Consulates, the Recipient’s Ministry of Foreign Affairs, or any of the Recipient’s authorities as a condition of participation in said selection process.

(iii) the Recipient shall use standard requests for proposals and standard evaluation formats; all satisfactory to the World Bank.

(iv) foreign consultants, either individuals or firms, shall not be required to pay fees to the Recipient’s consultants’ association that are different from those required for Peruvian consultants.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services including audits</td>
<td>321,600</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and Workshops</td>
<td>98,400</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>420,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term "Training and Workshops" means reasonable expenditures incurred by OSCE for the carrying out of training activities under the Project, including reasonable costs of travel and per diem of trainers and trainees, rental of training facilities, equipment, and training materials.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

**Article IV**
**Termination**

4.01. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect, or has not started implementation or disbursed any funds before October 17, 2012, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this section. The World Bank shall promptly notify the Recipient of such date.

**Article V**
**Recipient’s Representative; Addresses**

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Executive Director, or any person whom any of them shall designate in writing.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
Organismo Supervisor de las Contrataciones del Estado de la República del Perú (OSCE)
Av. Gregorio Escobedo cdra. 7 s/n Jesús María
Lima 11/Perú

CC: Ministry of Economy and Finance
Jr. Junín 319
Lima, Peru

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C. 64145 (MCI)