

No. 2850

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
PERU**

**Loan Agreement—*Quiroz-Piura Irrigation Project*—(with
annexed Loan Regulations No. 3). Signed at Wash-
ington, on 5 April 1955**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
2 June 1955.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
PÉROU**

**Contrat d'emprunt — *Projet d'irrigation Quiroz-Piura* —
(avec, en annexe, le Règlement N° 3 sur les emprunts).
Signé à Washington, le 5 avril 1955**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 2 juin 1955.*

No. 2850. LOAN AGREEMENT¹ (*QUIROZ-PIURA IRRIGATION PROJECT*) BETWEEN THE REPUBLIC OF PERU AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 5 APRIL 1955

AGREEMENT, dated April 5, 1955, between the REPUBLIC OF PERU (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated October 15, 1952² subject, however, to the modifications thereof set forth in Schedule 3³ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to eighteen million dollars (\$18,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

¹ Came into force on 23 May 1955, upon notification by the Bank to the Government of the Republic of Peru.

² See p. 132 of this volume.

³ See p. 130 of this volume.

Section 2.04. The Borrower shall pay interest at the rate of four and three-fourths per cent ($4\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

¹ See p. 126 of this volume.

² See p. 128 of this volume.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices. To that end the Borrower shall employ competent and experienced engineering consultants and contractors for the purposes described in paragraphs (2) and (3) of Schedule 2 to this Agreement, and competent and experienced irrigation engineers for the purposes described in paragraph (5) of Schedule 2 to this Agreement. Such consultants, contractors and engineers shall be mutually acceptable to the Borrower and the Bank and shall be employed on terms and conditions mutually satisfactory to the Borrower and the Bank.

(b) The Borrower shall at all times make available for disbursement promptly as they are needed the funds required for the carrying out of the Project.

(c) The Borrower shall cause to be furnished to the Bank, as the Bank may from time to time request, the plans and specifications for the Project and any material modifications subsequently made therein.

(d) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, and to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, and the goods, and the financial condition and operations of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof.

Section 5.02. The Borrower shall maintain the dam and intake works and all canals, dikes, tunnels, waterways, and other pertinent structures included in the Project or having been constructed or used in connection with the diversion of the Quíroz River known as Stage I of the Quíroz-Piura Irrigation Project, and from time to time shall make all necessary renewals and repairs thereof in accordance with sound engineering practices.

Section 5.03 (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower,

such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including assets of the Banco Central de Reserva del Perú.

Section 5.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.06. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.07. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.08. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Article VI

REMEDIES OF THE BANK

Section 6.01 (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 1, 1958.

Section 7.02. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Ministro de Hacienda y Comercio, Lima, Peru.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington 25, D. C., United States of America.

Section 7.04. The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

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

Republic of Peru
By F. BERCKEMEYER
Authorized Representative

International Bank for Reconstruction and Development
By Eugene R. BLACK
President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
March 15, 1959 . . . —	\$18,000,000	March 15, 1970 . . . 401,000	11,023,000		
September 15, 1959 . \$245,000	17,755,000	September 15, 1970 . 411,000	10,612,000		
March 15, 1960 . . . 251,000	17,504,000	March 15, 1971 . . . 421,000	10,191,000		
September 15, 1960 . 257,000	17,247,000	September 15, 1971 . 431,000	9,760,000		
March 15, 1961 . . . 263,000	16,984,000	March 15, 1972 . . . 441,000	9,319,000		
September 15, 1961 . 269,000	16,715,000	September 15, 1972 . 451,000	8,868,000		
March 15, 1962 . . . 276,000	16,439,000	March 15, 1973 . . . 462,000	8,406,000		
September 15, 1962 . 282,000	16,157,000	September 15, 1973 . 473,000	7,933,000		
March 15, 1963 . . . 289,000	15,868,000	March 15, 1974 . . . 484,000	7,449,000		
September 15, 1963 . 296,000	15,572,000	September 15, 1974 . 496,000	6,953,000		
March 15, 1964 . . . 303,000	15,269,000	March 15, 1975 . . . 508,000	6,445,000		
September 15, 1964 . 310,000	14,959,000	September 15, 1975 . 520,000	5,925,000		
March 15, 1965 . . . 317,000	14,642,000	March 15, 1976 . . . 532,000	5,393,000		
September 15, 1965 . 325,000	14,317,000	September 15, 1976 . 544,000	4,849,000		
March 15, 1966 . . . 333,000	13,984,000	March 15, 1977 . . . 558,000	4,291,000		
September 15, 1966 . 340,000	13,644,000	September 15, 1977 . 571,000	3,720,000		
March 15, 1967 . . . 349,000	13,295,000	March 15, 1978 . . . 584,000	3,136,000		
September 15, 1967 . 357,000	12,938,000	September 15, 1978 . 598,000	2,538,000		
March 15, 1968 . . . 365,000	12,573,000	March 15, 1979 . . . 612,000	1,926,000		
September 15, 1968 . 374,000	12,199,000	September 15, 1979 . 627,000	1,299,000		
March 15, 1969 . . . 383,000	11,816,000	March 15, 1980 . . . 642,000	657,000		
September 15, 1969 . 392,000	11,424,000	September 15, 1980 . 657,000	—		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05(b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity	½%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years but not more than 15 years before maturity	1½%
More than 15 years but not more than 20 years before maturity	2%
More than 20 years before maturity	2½%

SCHEDULE 2

DESCRIPTION OF PROJECT

1. The Project consists of the irrigation of 50,000 hectares of uncultivated land in the Tablazo, Tambo Grande and Yuscay-Tejedores areas between the Chira and the Piura Rivers, and the provision in dry seasons of supplemental water for 31,000 hectares of cultivated land in the Piura Valley. The Project will include the construction and maintenance of a dam, reservoir, main canals and laterals, the acquisition of land and its sale to farmers, the distribution of water and the assessment and collection of rates for the use thereof.

2. *Dam and Reservoir*

The Borrower will construct a dam and two dikes creating a reservoir on the Chipillico River about 5 kilometers above Las Lomas. The dam will be an earth-fill structure having a height of about 55 meters and a length of about 720 meters. The storage capacity of the reservoir will be about 250 million cubic meters.

3. *Main Canals and Laterals*

The Borrower will construct about 15 kilometers of lined canal with a capacity of 50 cubic meters per second and about 70 kilometers of lined canal with a capacity of 25 cubic meters per second in the initial sections. The canals will have the necessary bridges, drainage and control structures. The Borrower will also construct a system of laterals which will be adequate to irrigate 50,000 hectares of land.

4. *Acquisition of Land and Sale to Farmers*

(a) The Borrower will acquire the necessary lands, build roads and subdivide the land to be irrigated for sale to farmers.

(b) The subdivisions will be sold by the Borrower to farmers in lots ranging in size from 15 hectares to 100 hectares. The purchase of the lots will be financed by long-term loans from the Borrower.

5. *Operation and Maintenance*

The Borrower will maintain the dam, reservoir, and canals and will distribute the water available for irrigation to users and will assess and collect rates for the use of the water and establish procedures for so doing.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3¹

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated October 15, 1952, shall be deemed to be modified as follows :

(a) The second sentence of Section 2.02 shall be deleted and the following shall be substituted :

“Such commitment charge shall accrue from the Effective Date, or from a date sixty days after the date of the Loan Agreement, whichever shall be the earlier, or from such other date as may be specified in the Loan Agreement for the purpose of this Section, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V.”

(b) Paragraph (c) of Section 2.05 shall be deleted and the following shall be substituted :

“(c) It is the policy of the Bank to encourage the repayment of its loans prior to maturity. Accordingly the Bank will sympathetically consider, in the light of all circumstances then existing, any request of the Borrower to waive the payment of any premium payable under paragraph (b) of this Section or under Section 6.16 on repayment of any portions of the Loan or Bonds which the Bank has not sold or agreed to sell.”

(c) Paragraph (g) of Section 5.02 shall be deleted and the following shall be substituted :

“(g) After the date of the Loan Agreement and prior to the Effective Date any action shall have been taken which would have constituted a violation of any covenant contained in the Loan Agreement relating to the creation of liens as security for debt if the Loan Agreement had been effective on the date such action was taken.”

(d) Section 6.17 shall be deleted and the following shall be substituted :

“*Section 6.17. Rights of Holders of Bonds.* No holder (other than the Bank) of any Bond shall, by virtue of being the holder thereof, be entitled to exercise any rights under the Loan Agreement or be subject to any of the conditions or obligations imposed upon the Bank thereby. The provisions of this Section shall not impair or affect any rights or obligations under the terms of any Bond.”

(e) The third and fourth sentences of paragraph (i) of Section 7.03 shall be deleted and the following shall be substituted :

“Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.”

¹ See p. 132 of this volume.

(f) Section 9.01 shall be deleted and the following shall be substituted :

“*Section 9.01. Conditions Precedent to Effectiveness of Loan Agreement.* The Loan Agreement shall not become effective until :

(a) the Borrower has notified the Bank that (i) the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, and (ii) all other events specified in the Loan Agreement as conditions to its effectiveness have occurred; and

(b) the Borrower has furnished to the Bank evidence thereof satisfactory to the Bank.”

(g) The last sentence of the second paragraph of Schedule 1 and of Schedule 2 shall be deleted and the following shall be substituted :

“No reference herein to the Loan Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal and interest on this Bond at the time and place and in the amounts and in the currency herein prescribed.”

(h) The eighth paragraph of Schedule 1 and the seventh paragraph of Schedule 2 shall be deleted and the following shall be substituted :

“The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower].*”

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 OCTOBER 1952

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 165, p. 252.*]