

No. 6203

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

**Loan Agreement—*Highway Maintenance and Improvement Project* (with annexed Loan Regulations No. 3).
Signed at Washington, on 3 November 1961**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
13 June 1962.*

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

Contrat d'emprunt — *Projet relatif à l'entretien et à l'amélioration du réseau routier* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 3 novembre 1961

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 13 juin 1962.*

No. 6203. LOAN AGREEMENT¹ (*HIGHWAY MAINTENANCE AND IMPROVEMENT PROJECT*) BETWEEN THE REPUBLIC OF PERU AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 3 NOVEMBER 1961

AGREEMENT, dated November 3, 1961, between REPUBLIC OF PERU (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by a Loan Agreement, dated August 5, 1955,² between the Borrower and the Bank, the Bank agreed to lend to the Borrower an amount in various currencies equivalent to \$5,000,000 to assist in financing the foreign exchange costs of a program of highway maintenance on the terms and conditions set forth in said Loan Agreement ; and

WHEREAS by a Loan Agreement, dated December 19, 1960,³ between the Borrower and the Bank, the Bank agreed to lend to the Borrower an amount in various currencies equivalent to \$5,500,000 to assist in financing the construction of the Aguaytia-Pucallpa Road on the terms and conditions set forth in said Loan Agreement, including, *inter alia*, the continuance by the Borrower of the maintenance program provided for in the Loan Agreement dated August 5, 1955 ;

NOW THEREFORE, the parties hereto agree as follows :

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 February 15, 1961⁴ (said Loan Regulations No. 3 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 16 May 1962, upon notification by the Bank to the Government of Peru.

² United Nations, *Treaty Series*, Vol. 218, p. 3.

³ United Nations, *Treaty Series*, Vol. 417, p. 275.

⁴ See p. 64 of this volume.

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 ten million dollars (\$10,000,000).

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 herein and in the Loan Regulations, and subject to the rights of cancellation and suspension herein and therein set forth.

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.

Section 2.04. The Borrower shall pay interest at the rate of five and three-quarters per cent ($5\frac{3}{4}$ %) 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 February 15 and August 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 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan, the methods and procedures for procurement of such goods, and, for Part B of the Project, the location of roads and bridges, the general design standards and the type of surfacing, shall all be determined by agreement between

¹ See p. 62 of this volume.

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 *Ministro de Hacienda y Comercio* 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.

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.

(b) Except as the Bank shall otherwise agree, the Borrower shall, in carrying out the Project, employ or cause to be employed engineering consultants and other experts acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(c) Except as the Bank shall otherwise agree, highway improvement included in Part B of the Project shall be carried out by contractors satisfactory to the Borrower and the Bank, employed under contracts and pursuant to procedures satisfactory to the Borrower and the Bank.

(d) The Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for any part of the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(e) 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 operations and financial conditions 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 operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof.

Section 5.02. (a) The Borrower and the Bank shall co-operate 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 5.03. 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 5.04. 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 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 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 5.05. The Loan Agreement and the Bonds shall be free from any taxes 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, 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 5.06. 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 5.07. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 5.08. The Borrower shall at all times make available promptly as needed all sums and resources which shall be required for the carrying out of the Project and for the adequate maintenance of its national road system.

Section 5.09. The Borrower shall continue to develop and strengthen the Maintenance Division of its Road Department ; shall cause its national road system to be adequately maintained ; and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

Section 5.10. Except as the Bank shall otherwise agree, the Borrower shall cause all maintenance equipment and materials and all spare parts financed out of the proceeds of the Loan to be used exclusively for the purposes of road maintenance.

Section 5.11. The Borrower shall cause all its highway construction and maintenance machinery and equipment to be adequately maintained and repaired, and shall cause suitable workshops to be maintained in suitable places for that purpose.

Section 5.12. The Borrower shall take all such action as shall be necessary to assure that the dimensions and axle-loads of vehicles using its national road system shall be kept within limits substantially in accordance with standards mutually satisfactory to the Bank and 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

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations :

- (a) that the Borrower shall have enacted satisfactory legislation creating a commission to regulate overland transportation ; and
- (b) that the appropriate officials of the Borrower shall have promulgated a satisfactory *reglamento* adequate to implement said legislation.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : that the action taken to comply with paragraphs (a) and (b) of Section 7.01 has been duly and validly taken.

Section 7.03. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be January 31, 1965, or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministerio de Hacienda y Comercio
Lima, Perú

Alternative address for cablegrams and radiograms :

Minhacienda
Lima, Perú

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 8.03. The *Ministro de Hacienda y Comercio* 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 J. GRIEVE
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
February 15, 1965	\$645,000	August 15, 1968	\$787,000
August 15, 1965	664,000	February 15, 1969	810,000
February 15, 1966	683,000	August 15, 1969	833,000
August 15, 1966	702,000	February 15, 1970	857,000
February 15, 1967	723,000	August 15, 1970	881,000
August 15, 1967	743,000	February 15, 1971	907,000
February 15, 1968	765,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column 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 2 years before maturity	½ of 1 %
More than 2 years but not more than 4 years before maturity	2 %
More than 4 years but not more than 6 years before maturity	3 ½ %
More than 6 years but not more than 8 years before maturity	4 ¾ %
More than 8 years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The principal elements of the Project are :

A. *Maintenance* ;

Continuation and further development of the Borrower's maintenance program for its national road system, including among other things employment of the services of consultants and acquisition of maintenance equipment (including spare parts) and the erection and equipping of ancillary installations (repair shops and garages) ;

B. *Highway Improvement*;

Repavement of approximately 200 kms. of existing roads and replacement of about 30 bridges on the Pan-American Highway ;

C. *Traffic Regulation*;

Purchase, installation and operation of traffic-recorder machines and of scales for regulation of road traffic ; and

D. *Highway Study*;

A study of the bases for future development of the national road system ; and also of regulation of overland transportation.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.*]