

No. 7503

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

Loan Agreement—*Paita Port Project* (with related letter and annexed Loan Regulations No. 3). Signed at Washington, on 22 April 1964

Official text: English.

Registered by the International Bank for Reconstruction and Development on 1 December 1964.

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

Contrat d'emprunt — *Projet relatif au port de Paita* (avec lettre y relative et, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 22 avril 1964

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 1^{er} décembre 1964.

No. 7503. LOAN AGREEMENT¹ (*PAITA PORT PROJECT*)
BETWEEN THE REPUBLIC OF PERU AND THE INTER-
NATIONAL BANK FOR RECONSTRUCTION AND DEVEL-
OPMENT. SIGNED AT WASHINGTON, ON 22 APRIL 1964

AGREEMENT, dated April 22, 1964, between 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 February 15, 1961² (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.

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 three million one hundred thousand dollars (\$3,100,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided herein and in the Loan Regulations, and subject to the rights of cancellation and suspension herein and therein set forth.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at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.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interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

¹ Came into force on 28 July 1964, upon notification by the Bank to the Government of Peru.

² See p. 116 of this volume.

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 and the methods and procedures for procurement of such goods 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 *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 carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

¹ See p. 106 of this volume.

² See p. 108 of this volume.

(b) The Borrower shall cause the Port of Paita to be operated under competent management.

(c) The Borrower shall, in carrying out the Project, employ, or cause to be employed, consultants to an extent and upon terms and conditions 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 or cause to be made available promptly as needed such sums as shall be required for the carrying out of the Project and for the adequate maintenance of the Port of Païta.

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

TERMINATION ; MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1967, or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

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 :

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, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 7.04. 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 Celso PASTOR DE LA TORRE

Authorized Representative

International Bank for Reconstruction and Development :

By G. M. WILSON

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>
March 15, 1968.	40,000	March 15, 1979.	70,000
September 15, 1968.	40,000	September 15, 1979.	70,000
March 15, 1969.	40,000	March 15, 1980.	75,000
September 15, 1969.	40,000	September 15, 1980.	75,000
March 15, 1970.	45,000	March 15, 1981.	80,000
September 15, 1970.	45,000	September 15, 1981.	80,000
March 15, 1971.	45,000	March 15, 1982.	80,000
September 15, 1971.	45,000	September 15, 1982.	85,000
March 15, 1972.	50,000	March 15, 1983.	85,000
September 15, 1972.	50,000	September 15, 1983.	90,000
March 15, 1973.	50,000	March 15, 1984.	90,000
September 15, 1973.	50,000	September 15, 1984.	95,000
March 15, 1974.	55,000	March 15, 1985.	95,000
September 15, 1974.	55,000	September 15, 1985.	100,000
March 15, 1975.	55,000	March 15, 1986.	100,000
September 15, 1975.	60,000	September 15, 1986.	105,000
March 15, 1976.	60,000	March 15, 1987.	110,000
September 15, 1976.	60,000	September 15, 1987.	110,000
March 15, 1977.	65,000	March 15, 1988.	115,000
September 15, 1977.	65,000	September 15, 1988.	115,000
March 15, 1978.	65,000	March 15, 1989.	125,000
September 15, 1978.	70,000		

* 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 PREPAYMENTS AND REDEMPTIONS

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 three years before maturity	½%
More than three years but not more than six years before maturity.	1%
More than six years but not more than eleven years before maturity	1½%
More than eleven years but not more than sixteen years before maturity	2½%
More than sixteen years but not more than twenty-one years before maturity	3½%
More than twenty-one years but not more than twenty-three years before maturity	4½%
More than twenty-three years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is the modernization and construction of the Port of Paita. It includes :

A. *Jetty*

Construction of a new four-berth jetty, which will be an open reinforced concrete "finger pier", 325 m. long and 36 m. wide erected on pre-cast concrete piles ; with a minimum water depth alongside of 10.5 m. for berthing ; creation of an approach by reclaiming an area near the jetty, with steel sheet piles on one side, pitched slope on the other, and a reinforced concrete piled area on the seaward side ;

B. *Dredging*

Dredging to remove about 600,000 m³ of spoil to permit a minimum water depth of 10.5 m. alongside said jetty ;

C. *Existing and New Buildings*

Repair and modification of two existing office buildings, two transit sheds, and two warehouses. Construction of a maintenance workshop, a gear store, a generator house, a fire-pump house, a guard house, a goods checking hut, a weight-bridge pit, and staff facilities ;

D. *Roads and Utilities*

Construction of new road to the port along the face of the sand cliff behind the town ; installation of electric cables and telephone lines to the port buildings and the new jetty ;

and provision in the port of roads and paved areas, pipelines on the jetty, water mains and sewers and other necessary services to all buildings ;

E. *Port Equipment*

Purchase and installation of new cargo-handling, electric-generating, workshop and fire-fighting equipment ; and

F. *Services*

Engineering design, supervision of construction and assistance in port operation and management.

It is expected that the Project will be completed by about the middle of 1967.

LETTER RELATING TO THE LOAN AGREEMENT
REPUBLIC OF PERU

April 22, 1964

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

Re : *Paita Port Project*

Local Funds for Port Construction and Maintenance ; Administration and Staffing

Dear Sirs :

We refer to Sections 5.01 (a), (b), and (c), 5.07 and 5.08 of the Loan Agreement of even date¹ between us. We recognize that the financial aspects of the Paita Port Project cannot be dealt with separately from the financial issues which arise with respect to the other ports under the jurisdiction of Dirección de Administración Portuaria (DAP).

In view of the wide scope, sizeable expenditures and normal uncertainties regarding construction schedules, we agree that periodic consultations between the Government and the Bank regarding DAP's operations and plans are necessary. In addition to giving a measure of specificity to Peru's obligations under the Loan Agreement, but without in any way derogating from the generality of the obligations in the Loan Agreement, this letter also indicates the topics on which periodic consultations between us are appropriate.

¹ See p. 96 of this volume.

1. *Provision of Local Funds for the Project and for the Construction and Maintenance of Other Ports.*

During our discussions, we have reached an understanding on the procedures for obtaining and allocating port revenues. DAP has two sources of income: one is regular or ordinary port user charges; the other is special port user charges imposed pursuant to particular enactments, including Law 12533.

The funds received from regular or ordinary port user charges appear as income in the National Budget. This category of income is listed separately under the name of the port from which the funds are received. This source of income is intended to cover regular or ordinary port costs, such as salaries, wages, supplies and other necessities for port operation. Periodically, normally annually, DAP prepares a budget which it must present to the Minister of Finance and Commerce, who ascertains what portion of the funds received on account of regular port user charges may be used by DAP to meet such regular commitments. We agree that DAP will be permitted to retain the funds from regular or ordinary port user charges necessary to meet such regular commitments which include current costs of port operations, provision for renewal of port facilities and for any other expenditures chargeable against current revenue.

However, funds received from the other source, the special port charges, are treated as a unit for the purposes of the National Budget and all such funds, from whatever port derived, are segregated under a special title, namely, "Special Account—Port Works in Salaverry and Other Ports" (*Cuentas Especiales — Obras Portuarias en Salaverry y Otros Puertos*). We agree that these special port charges are to be used solely to take care of the obligations arising for the financing of the port works described below and that, therefore, funds derived from these special port charges are to be deemed unavailable (*intangibles*) for any other purposes.

We have discussed the financial requirements for the construction of the major works listed in Annex A,¹ "Planned Financing of DAP Works for 1964-1968." We intend to carry out the major works listed in that Annex and to make available to DAP as and when required the funds needed to construct them. We further agree that no other major works will be undertaken during 1964-1968 unless adequate arrangements have been made to finance them and without first informing the Bank.

During negotiations we discussed insurance of DAP's port facilities. It is not the Government's policy to insure its assets. However, in the course of regular budget procedures, account will be taken of any loss or damage which may occur to DAP's port facilities.

Before making allocations with respect to DAP's budget for future fiscal years, we shall afford the Bank reasonable opportunity to exchange views for the purpose of discussing, among other things, the adequacy and timeliness of amounts to be allocated in the budget to DAP.

¹ See p. 116 of this volume.

2. *Review of Tariffs for Port User Charges, Administration of Ports and Future Port Development Plans.*

Under the Peruvian Constitution, all port charges are deemed to be charges for services rendered and they can be fixed from time to time by a Ministerial Resolution issued by the Minister of Finance and Commerce. Hence, the Minister of Finance and Commerce has the power to adjust port charges from time to time. We agree that in view of DAP's expansion plans, the present port charges may not be sufficient to cover all future operating costs including provision for renewals of port facilities, for any other expenditures chargeable against current revenue, and for debt service charges. We further agree, therefore, that a review of the tariffs for port user charges will be made in order to make these charges cover all the above-mentioned expenditures.

Finally, we recognize the need to coordinate the planning and construction of improvements to the ports under the supervision of DAP and the need to strengthen the staff of DAP to achieve these objectives. We undertake to retain consultants to provide assistance to DAP in the management and operation of its ports.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Peru :

By Celso PASTOR DE LA TORRE
Authorized Representative

Confirmed:

International Bank for Reconstruction
and Development :

By G. M. WILSON

ANNEX A

PLANNED FINANCING OF DAP WORKS FOR 1964-1968

	1964	1965	1966 (Million Soles)	1967	1968
<i>Sources of Funds</i>					
Special Account Balance : start of year	15	9	10	27	53
Special Account Receipts	73	77	81	85	89
Tasa Unica Funds	88	86	91	112	142
AID Credit :	22	27	13	—	—
Eximbank Loan	30	10	—	—	—
IBRD Loan	20	20	32	12	—
External Financing	72	57	45	12	—
TOTAL	160	143	136	124	142
<i>Application of Funds</i>					
Salaverry : Suppliers' Credits	35	32	17	17	—
Salaverry : Dredging Payments	16	4	—	—	—
SUB-TOTAL	51	36	17	17	—
Paita Project	30	39	46	22	—
Port Equipment*	31	11	—	—	—
Fishing Ports and Matarani Priority Works**	30	36	17	—	—
Allowance for Price Contingencies	—	—	12	12	—
Engineering Expense other than Paita	2	2	2	4	—
SUB-TOTAL	93	88	77	38	—
Development of Pisco	—	—	—	—	50
Development of River Ports***	—	—	—	—	25
Emergency Works	5	5	5	5	6
SUB-TOTAL	5	5	5	5	81
Debt Service : Eximbank Loan	1	2	6	6	6
Debt Service : IBRD Loan	1	2	4	5	7
SUB-TOTAL	2	4	10	11	13
TOTAL	151	133	109	71	94
Balance : End of Year	9	10	27	53	48

* Including local currency costs of assembly.

** Fishing ports are Supe, Huacho, Chancay, and Ilo.

*** Initially, Iquitos.

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.]