

No. 8045

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

**Guarantee Agreement—*Fourth Agricultural Credit Project*
(with annexed Loan Regulations No. 4 and Loan Agree-
ment between the Bank and the Banco de Fomento
Agropecuario del Perú). Signed at Washington, on
3 June 1965**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
17 January 1966.*

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

**Contrat de garantie — *Quatrième projet relatif au crédit
agricole* (avec, en annexe, le Règlement n° 4 sur les
emprunts et le Contrat d'emprunt entre la Banque et
le Banco de Fomento Agropecuario del Perú). Signé à
Washington, le 3 juin 1965**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
17 janvier 1966.*

No. 8045. GUARANTEE AGREEMENT¹ (*FOURTH AGRICULTURAL CREDIT PROJECT*) BETWEEN THE REPUBLIC OF PERU AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 3 JUNE 1965

AGREEMENT, dated June 3, 1965, between REPUBLIC OF PERU (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Banco de Fomento Agropecuario del Perú (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 3 to the Loan Agreement (said Loan Regulations No. 4 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

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby un-

¹ Came into force on 22 July 1965, upon notification by the Bank to the Government of Peru.

² See p. 236 of this volume.

conditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor 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 Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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 Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including assets of the Banco Central de Reserva del Perú.

Section 3.02. (a) The Guarantor 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 Guarantor

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

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

Section 3.03. 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 Guarantor 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 Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. 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 Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall inform the Bank of any proposed action which would amend or abrogate any provision of the *Decreto-Ley* No. 14509, dated June 14, 1963, which contains the *Ley Orgánica* of the Borrower, and shall afford the Bank a reasonable opportunity, before approving such action, to exchange views with the Guarantor with respect thereto.

Section 3.07. The Guarantor shall make arrangements satisfactory to the Bank to relieve the Borrower of the performance of certain operations and services, to be determined by agreement between the Guarantor, the Bank and the Borrower, or to reimburse the Borrower for the expenditures incurred in the performance of said operations and services.

Section 3.08. The Guarantor shall bear the foreign exchange risk related to the service of the Loan, and shall reimburse the Borrower for any losses incurred in respect thereof.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The *Ministro de Hacienda y Comercio* of the Guarantor and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

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 5.02. The *Ministro de Hacienda y Comercio* of the Guarantor 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 Guarantee 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 J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(FOURTH AGRICULTURAL CREDIT PROJECT)

AGREEMENT, dated June 3, 1965, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO DE FOMENTO AGROPECUARIO DEL PERÚ (hereinafter called the Borrower).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ subject, however, to the modifications thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 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 fifteen million dollars (\$15,000,000).

Section 2.02. (a) 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, this Agreement and the Loan Regulations.

(b) Except as the Bank shall otherwise agree,

- (i) no withdrawals shall be made from the Loan Account if at the time of each request therefor the Borrower shall not have reduced the arrears on its loan portfolio according to a schedule to be agreed upon from time to time between the Bank and the Borrower; and

¹ See above.

² See p. 250 of this volume.

- (ii) on withdrawals shall be made from the Loan Account, either in excess of an amount equivalent to five million dollars (\$5,000,000) or after February 1, 1966, unless the Bank and the Borrower shall have reached the agreement referred to in Section 5.01 (c) of this Agreement.

Section 2.03. Except as the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account the equivalent of a percentage or percentages to be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project; provided, however, that no withdrawals shall be made on account of (a) expenditures prior to April 1, 1964 or (b) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account shall be in dollars or such other freely convertible currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.06. 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.

Section 2.07. Except as the Bank and the Borrower 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 2.08. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.09. 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 apply the proceeds of the Loan 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 and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

¹ See p. 248 of this volume.

Section 3.02. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor 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 *Presidente* and the *Gerente General* of the Borrower, or such other person or persons as the *Directorio* of the Borrower shall appoint in writing, are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) 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 agricultural, engineering, economic and financial practices.

(b) The Borrower shall employ consultants acceptable to the Bank, to an extent and upon terms and conditions satisfactory to the Bank and the Borrower, to review the organization and operations of the Borrower, to propose a plan for the improvement of said organization and operations, and to assist in the implementation of such plan.

(c) Promptly after receipt of the plan referred to in paragraph (b) above, the Bank and the Borrower shall agree upon a program for the implementation of said plan.

(d) The operating policies and procedures for the carrying out of the Project, including the terms and conditions of the loans to farmers participating in the Project, shall be agreed upon from time to time between the Bank and the Borrower.

(e) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operation and financial condition of the Borrower; 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, the goods, and the administration, operation and financial condition of the Borrower.

Section 5.02. (a) The Bank and the Borrower 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.

(b) The Bank and the Borrower 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

Section 5.03. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt; provided, however, that the foregoing provision shall not apply to : (i) the incurring of additional debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit; or (ii) the incurring of any debt maturing not more than one year after the date on which it is originally incurred.

Section 5.04. Except as the Bank shall otherwise agree, the Borrower shall have its financial statements (balance sheet and profit and loss statement) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Borrower's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.05. 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 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.

Section 5.06. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; 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 Guarantor.

Section 5.07. The Borrower shall pay or cause to be paid all 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 on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. The Borrower shall ensure that any agricultural machinery and equipment financed out of the proceeds of the Loan is made available to farmers or others engaged in agricultural production only through dealers who have adequate servicing and repair facilities available for such machinery and equipment.

Section 5.09. (a) The Borrower shall at all times maintain its existence and right to carry on its operations and shall take all steps necessary to acquire, maintain and renew all rights, powers and privileges which are necessary or useful in the conduct of its business.

(b) The Borrower shall carry on its operations and conduct its affairs in accordance with sound business, agricultural, economic and financial practices, under the supervision of experienced and competent management.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) 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.

Section 6.02. The following are hereby specified as additional events for the purposes of Section 5.02 (j) of the Loan Regulations :

- (a)* the Borrower shall have failed to enter into the agreement with the Bank as provided in Section 5.01 (c) of this Agreement within 120 days from the date the plan referred to in Section 5.01 (b) of this Agreement is received by the Bank; and
- (b)* a default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under the agreement between the Bank and the Borrower referred to in said Section 5.01 (c) of this Agreement.

Article VII

MISCELLANEOUS

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

Section 7.02. A date 60 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 :

Banco de Fomento Agropecuario del Perú
Jirón Carabaya 543
Lima, Perú

Alternative address for cablegrams and radiograms :

Agricobank
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.

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.

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

Banco de Fomento Agropecuario del Perú :

By Ismael BENAVIDES
Ramon REMOLINA
Authorized Representatives

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>
October 1, 1969	\$505,000	April 1, 1975	\$680,000
April 1, 1970	520,000	October 1, 1975	700,000
October 1, 1970	535,000	April 1, 1976	720,000
April 1, 1971	550,000	October 1, 1976	740,000
October 1, 1971	565,000	April 1, 1977	760,000
April 1, 1972	580,000	October 1, 1977	780,000
October 1, 1972	595,000	April 1, 1978	800,000
April 1, 1973	610,000	October 1, 1978	825,000
October 1, 1973	630,000	April 1, 1979	845,000
April 1, 1974	645,000	October 1, 1979	870,000
October 1, 1974	665,000	April 1, 1980	880,000

* 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 three years before maturity	½%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than thirteen years before maturity	4½%
More than thirteen years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is a three-year lending program of the Borrower for increasing the production of agricultural crops and livestock. The Project includes the provision of medium and long-term loans to agricultural producers (farmers and agricultural contractors) for farm water supplies, land improvement, agricultural machinery, livestock, fencing, tree and plantation crops, and related items, and the provision of similar loans to private enterprises for processing and storage facilities.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

- (a) By the deletion of the second sentence of Section 3.02.
- (b) By the deletion of Section 4.01.
- (c) By the deletion of the first five lines of Section 5.02 and the substitution therefor of the following lines :

“ SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account : ”.
