

No. 8269

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

Loan Agreement—*San Lorenzo Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 18 June 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 21 July 1966.

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

Contrat d'emprunt — *Projet San Lorenzo* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 18 juin 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 21 juillet 1966.

No. 8269. LOAN AGREEMENT¹ (*SAN LORENZO PROJECT*)
BETWEEN THE REPUBLIC OF PERU AND THE INTER-
NATIONAL BANK FOR RECONSTRUCTION AND DEV-
ELOPMENT. SIGNED AT WASHINGTON, ON 18 JUNE
1965

AGREEMENT, dated June 18, 1965, between REPUBLIC OF PERU (herein-
after called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by a loan agreement dated April 5, 1955² between the Borrower
and the Bank, the Bank agreed to make a loan to the Borrower in various cur-
rencies equivalent to \$18,000,000 for the implementation of Stage II of the
San Lorenzo Irrigation and Land Settlement Project;

WHEREAS the Borrower intends to complete said Project, as described in
Schedule 2 to the above-mentioned loan agreement, under the supervision of the
Dirección de la Irrigación y Colonización San Lorenzo;

WHEREAS the Bank is willing at this time to make a loan to the Borrower,
upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions
of Loan Regulations No. 3 of the Bank dated February 15, 1961,³ subject, how-
ever, to the modification thereof set forth in Section 1.02 of 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.

Section 1.02. The second sentence of Section 4.01 of the Loan Regulations
is amended to read as follows :

¹ Came into force on 24 November 1965, upon notification by the Bank to the Government of
Peru.

² United Nations, *Treaty Series*, Vol. 211, p. 115.

³ See p. 212 of this volume.

“ Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to September 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 1.03. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement :

(a) The term “ San Lorenzo Water System ” means the works and facilities for the utilization of the waters of the Quiroz, Chipillico and Piura rivers, as provided in the *Decreto Supremo* No. 37 dated November 25, 1964.

(b) The term “ San Lorenzo Management ” means the Dirección de la Irrigación y Colonización San Lorenzo created by Law No. 13240 of the Borrower dated June 16, 1959, and integrating the Instituto de Reforma y Promoción Agraria of the Borrower pursuant to the *Decreto Supremo* No. 41 dated November 25, 1964.

(c) The term “ Agricultural Bank ” means the Banco de Fomento Agropecuario del Perú.

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 eleven million dollars (\$11,000,000).

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, this Agreement and the Loan Regulations.

Section 2.03. 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 2.04. The Borrower shall pay interest at the rate of five and one-half percent ($5\frac{1}{2}\%$) 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 April 15 and October 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 1 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 2 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 San Lorenzo Management acting on behalf of the Borrower, 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.

Section 3.03. Pursuant to the second sentence of Section 3.02 of the Loan Regulations, the Borrower and the Bank agree that any withdrawals on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower shall be made in dollars or in such other currency or currencies as the Bank shall reasonably select.

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 agricultural, engineering, economic and financial practices.

(b) The Borrower shall at all times make available promptly as needed all sums and other resources which shall be required for the carrying out of the Project and for the operating expenses of the San Lorenzo Management.

(c) The operating policies and procedures for the carrying out of the Project shall be agreed upon from time to time between the Borrower, the Bank and the San Lorenzo Management, and the Borrower shall ensure at all times that said operating policies are duly carried out.

(d) The Borrower shall cause consultants acceptable to the Bank to be employed by the San Lorenzo Management, to an extent and upon terms and conditions satisfactory to the Bank and the San Lorenzo Management, to assist in the carrying out of the Project. However, the consultants to assist in the carrying out of the Basin Program included in the Project shall be employed by the Borrower.

(e) Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause the San Lorenzo Management to furnish to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(f) 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, 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 condition of the San Lorenzo Management and, in respect of the Project, the Agricultural Bank; shall enable the Bank's representatives to inspect the Project, the goods, and any relevant records and documents; and shall furnish or cause to be furnished 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, the administration, operations and financial condition of the San Lorenzo Management, and, in connection with the Project, the operations of the Agricultural Bank.

Section 5.02. (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 5.03. (a) The Borrower shall take or cause to be taken all steps necessary to collect all established charges and taxes for the use of water and for the benefits of drainage on the lands drawing water from the San Lorenzo Water System.

(b) The Borrower shall enforce or cause to be enforced the system and percentages of water allocations established in the *Decreto Supremo* No. 37 dated November 25, 1964, or such other system or percentage as the Borrower and the Bank shall agree from time to time, and shall cause the water-use to be managed in a manner that will assure an adequate supply of water for the Project.

Section 5.04. (a) Until the total amount of the Loan shall have been withdrawn from the Loan Account, the Borrower shall notify the Bank of any proposal to appoint a *Director* of the San Lorenzo Management, and shall not make such appointment unless the qualifications and experience of the proposed candidate are acceptable to the Bank.

(b) The *Decretos Supremos* No. 37 and 41 dated November 25, 1964, establishing *inter alia* the powers of the *Director* of the San Lorenzo Management, shall be amended or abrogated only by agreement between the Borrower and the Bank.

Section 5.05. Except as the bank shall otherwise agree, the Borrower shall cause the accounts of the Agricultural Bank relating to the funds for the Project and the accounts of the San Lorenzo Management to be audited at least once a year by an independent accountant or accounting firm acceptable to the Bank and shall cause a signed copy of the accountant's or accounting firm's report to be furnished to the Bank promptly after its preparation.

Section 5.06. 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 5.07. 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 5.08. 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 5.09. 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 5.10. Except as shall be otherwise agreed between the Borrower and the Bank, the Borrower shall insure or cause to be insured with responsible insurers all goods financed with the proceeds of the Loan. Such insurance shall

cover such marine, transit and other risks incident to delivery of the goods into the territories of the Borrower and to the site of the Project and shall be for such amounts as shall be consistent with sound commercial practice. Such insurance shall be payable in freely convertible currencies or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.11. (a) The Borrower shall cause the San Lorenzo Management to carry on its operations and conduct its affairs in accordance with sound agricultural, engineering, economic and financial practices and under the supervision of experienced and competent management.

(b) The Borrower shall cause all works, facilities and equipment related to the Project to be adequately maintained and from time to time shall cause all necessary renewals and repairs thereof to be made in accordance with sound engineering and agricultural practices.

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 (h) of Section 5.02 of the Loan Regulations shall occur, or (iii) 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 is hereby specified as an additional event for the purposes of Section 5.02 (h) of the Loan Regulations, namely, a default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under the Loan Agreement dated April 5, 1955 between the Borrower and the Bank, or the bonds therein provided for.

Article VII

MODIFICATIONS OF LOAN AGREEMENT DATED APRIL 5, 1955

Section 7.01. For the purposes of the Loan Agreement dated April 5, 1955, between the Borrower and the Bank, paragraph (c) of Section 5.02 of

Loan Regulations No. 3 of the Bank, dated October 15, 1952,¹ is amended to read :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement or the Bonds, or under the Loan Agreement dated June 18, 1965 or the bonds therein provided for.”;

and the term “ Loan Regulations ” as used for the purposes of the said Loan Agreement shall mean Loan Regulations No. 3 of the Bank, dated October 15, 1952, as amended by said Loan Agreement and as further amended hereby.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations, namely, the Borrower shall have entered into an agreement with the Agricultural Bank, satisfactory to the Bank, providing for the participation of the Agricultural Bank in the implementation of the agricultural credit program referred to in paragraph 1 (c) of Schedule 2 to this Agreement.

Section 8.02. 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, namely, that the agreement referred to in Section 8.01 of this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Agricultural Bank and constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

Section 8.03. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article IX

MISCELLANEOUS

Section 9.01. 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 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

¹ United Nations, *Treaty Series*, Vol. 165, p. 252.

For the Borrower :

Dirección de la Irrigación y Colonización San Lorenzo
Girón Unión 264,
Edificio Palacio
Oficina 808
Lima, Peru

Alternative address for cablegrams and radiograms :

Ircoslo
Lima

With copies to :

Ministerio de Hacienda y Comercio
Lima, Peru

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 9.03. 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 Celso PASTOR DE LA TORRE
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
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>
April 15, 1969	\$210,000	October 15, 1977	\$330,000
October 15, 1969	215,000	April 15, 1978	340,000
April 15, 1970	220,000	October 15, 1978	350,000
October 15, 1970	225,000	April 15, 1979	360,000
April 15, 1971	235,000	October 15, 1979	370,000
October 15, 1971	240,000	April 15, 1980	380,000
April 15, 1972	245,000	October 15, 1980	390,000
October 15, 1972	255,000	April 15, 1981	400,000
April 15, 1973	260,000	October 15, 1981	410,000
October 15, 1973	265,000	April 15, 1982	425,000
April 15, 1974	275,000	October 15, 1982	435,000
October 15, 1974	280,000	April 15, 1983	445,000
April 15, 1975	290,000	October 15, 1983	460,000
October 15, 1975	295,000	April 15, 1984	470,000
April 15, 1976	305,000	October 15, 1984	485,000
October 15, 1976	315,000	April 15, 1985	500,000
April 15, 1977	320,000		

* 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	1/2%
More than three years but not more than six years before maturity	1 1/2%
More than six years but not more than eleven years before maturity	2 1/2%
More than eleven years but not more than sixteen years before maturity	3 1/2%
More than sixteen years but not more than eighteen years before maturity	4 1/2%
More than eighteen years before maturity	5 1/2%

SCHEDULE 2
DESCRIPTION OF PROJECT

1. The Project is Stage III of the development of the San Lorenzo Irrigation and Land Settlement Project located in the Department of Piura between the Quiroz and Piura Rivers. Stage III involves the settlement and development of approximately 17,700 hectares of new land and the further development of 14,300 hectares, and consists of :

- (a) Acquisition of heavy equipment, vehicles, spare parts and repair equipment for operation and maintenance of the irrigation works, for land development operations, and for road construction, gravelling and repair.
- (b) Provision of technical services, including technical assistance and training in the fields of research, equipment management, vocational education and marketing, and supervision of the Drainage Survey referred to below; and the acquisition or provision of equipment and facilities to support the above services, as well as to support the local services to settlers.
- (c) Implementation of a medium and long-term agricultural credit program to provide financing to settlers for their on-farm investments.

2. The Project also includes the construction and operation of a drainage system, to be based upon a Drainage Survey which will be conducted on the lands included in Stage III as well as on the remaining lands which will be developed in succeeding stages.

3. The Project further includes the carrying out of a Basin Program consisting of :
(a) a survey of the water and related resources of Northwestern Peru; (b) the preparation of plans for the financing and execution of projects to utilize these resources according to a system of priorities; and (c) the recommendation of the most effective organization for the implementation of said plans.

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.*]