

No. 8288

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

Loan Agreement—*Pisco Port Project* (with related letters and annexed Loan Regulations No. 3). Signed at Washington, on 13 May 1966

Official text: English.

Registered by the International Bank for Reconstruction and Development on 1 August 1966.

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

Contrat d'emprunt — *Projet relatif au port de Pisco* (avec lettres y relatives et, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 13 mai 1966

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 1^{er} août 1966.

No. 8288. LOAN AGREEMENT¹ (*PISCO PORT PROJECT*)
BETWEEN THE REPUBLIC OF PERU AND THE INTER-
NATIONAL BANK FOR RECONSTRUCTION AND DE-
VELOPMENT. SIGNED AT WASHINGTON, ON 13 MAY
1966

AGREEMENT, dated May 13, 1966, between REPUBLIC OF PERU (herein-
after called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; SPECIAL DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions
of Loan Regulations No. 3 of the Bank dated February 15, 1961,² with the same
force and effect as if they were fully set forth herein, subject, however, to the
following modification thereof (said Loan Regulations No. 3, as so modified,
being hereinafter called the Loan Regulations) :

Section 9.04 is deleted.

Section 1.02. The term Public Ports means the following public ports of
the Borrower : Iquitos, Pucallpa, Yurimaguas, Maldonado, Talara, Paita, Sala-
verry, Chimbote, Pisco, Matarani, Ilo, Eten, Pacasmayo, Besique, Casma, Huar-
mey, Supe, Huacho, Chancay, Cerro Azul, Tambo de Mora, Chala, Atico, and
Quilca.

This enumeration may be amended from time to time by agreement between
the Borrower and the Bank.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and
conditions in the Loan Agreement set forth or referred to, an amount in various
currencies equivalent to nine million one hundred thousand dollars (\$9,100,000).

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

¹ Came into force on 15 July 1966, upon notification by the Bank to the Government of Peru.

² See p. 88 of this volume.

amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

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 withdrawn from time to time from the Loan Account.

Section 2.04. The Borrower shall pay interest at the rate of six per cent (6%) 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 May 15 and November 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 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, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall operate, maintain, renew and repair the facilities, machinery, equipment and property of the Public Ports all in accordance with sound engineering, financial and port management standards and practices.

(c) In the carrying out of the Project the Borrower shall employ (i) competent and experienced engineering consultants, (ii) competent and experienced operations consultants, and (iii) competent and experienced contractors. Such consultants and contractors and the terms and conditions of their employment shall be acceptable to the Borrower and the Bank.

(d) The Borrower shall also employ competent and experienced consultants acceptable to the Borrower and the Bank to conduct the studies described in Part III of Schedule 2 to this Agreement. The scope of the studies to be conducted by such consultants and the terms and conditions of their employment shall be determined by agreement between the Borrower and the Bank.

(e) 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.

(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 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, the goods, and the

administration, 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 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. 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; or (ii) 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; pro-

vided, 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. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall take out, or cause to be taken out and maintain, or cause to be maintained, with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice. Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation and any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.08. The Borrower shall establish and maintain charges for services at the ports of Paita and Pisco which will produce revenues sufficient, when said ports shall come into operation, to ensure an adequate return on the average value of net fixed assets of each of said ports, after covering all operating expenses, including administrative expenses and adequate maintenance and depreciation.

Section 5.09. Without derogating from the generality of the obligations in this Loan Agreement, the Borrower agrees, within the limits permitted by its laws and for a period of time to be determined by agreement between the Borrower and the Bank, to take or cause to be taken all steps necessary to continue to segregate, under the title, "Special Account—Port Works in Salaverry and Other Ports," the proceeds from special port charges imposed pursuant to particular enactments including Law No. 12533; to restrict, except as the Borrower and

the Bank shall otherwise agree, the use of said proceeds to the financing of works and equipment at the Public Ports; and to reimburse promptly said Special Account for any year-end balances transferred from said Special Account to other depositories.

Section 5.10. The Borrower undertakes to take or cause to be taken all steps necessary to :

(a) establish not later than December 31, 1966, or such other date as shall be agreed between the Borrower and the Bank, a National Port Authority responsible for the construction, operation and development of the facilities of the Public Ports, which will (i) function under a law and regulations in form and substance satisfactory to the Borrower and the Bank, and (ii) have such powers, management, resources, capital structure and financial policies as, in the opinion of the Borrower and the Bank, are necessary to enable it to carry out its responsibilities efficiently; and

(b) promptly after its establishment, transfer to such Authority the properties and facilities of the Public Ports, such transfer to be made on such terms and conditions as, in the opinion of the Borrower and the Bank, will enable such Authority to carry out its responsibilities efficiently.

Section 5.11. After the establishment of such Authority, the Borrower shall cause such Authority to have at all times competent and experienced management.

Section 5.12. After the establishment of such Authority, the Borrower shall, without derogating from its obligations under the Loan Agreement, cause such Authority to carry out such obligations of the Borrower with due diligence and efficiency and in conformity with sound engineering and financial practices as shall fall within the responsibilities of such Authority.

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, 1970, or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 7.02. If this Loan Agreement shall not have come into force and effect by July 15, 1966, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower of such date.

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, Peru

Alternative address for cablegrams and radiograms :

Minhacienda
Lima

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
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>
May 15, 1971	\$115,000	November 15, 1981	\$215,000
November 15, 1971	120,000	May 15, 1982	220,000
May 15, 1972	125,000	November 15, 1982	230,000
November 15, 1972	125,000	May 15, 1983	235,000
May 15, 1973	130,000	November 15, 1983	240,000
November 15, 1973	135,000	May 15, 1984	250,000
May 15, 1974	140,000	November 15, 1984	255,000
November 15, 1974	140,000	May 15, 1985	265,000
May 15, 1975	145,000	November 15, 1985	275,000
November 15, 1975	150,000	May 15, 1986	280,000
May 15, 1976	155,000	November 15, 1986	290,000
November 15, 1976	160,000	May 15, 1987	300,000
May 15, 1977	165,000	November 15, 1987	305,000
November 15, 1977	170,000	May 15, 1988	315,000
May 15, 1978	175,000	November 15, 1988	325,000
November 15, 1978	180,000	May 15, 1989	335,000
May 15, 1979	185,000	November 15, 1989	345,000
November 15, 1979	190,000	May 15, 1990	355,000
May 15, 1980	195,000	November 15, 1990	365,000
November 15, 1980	205,000	May 15, 1991	385,000
May 15, 1981	210,000		

* 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	1 %
More than six years but not more than eleven years before maturity	2 %
More than eleven years but not more than sixteen years before maturity	3 %
More than sixteen years but not more than twenty-one years before maturity	4 %
More than twenty-one years but not more than twenty-three years before maturity	5 %
More than twenty-three years before maturity	6 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

Part I

Erection of new port facilities for the Pisco area at Punta Pejerrey by means of dredging, reclamation, and construction of a quay, about 700 meters long, a 100-meter long small-boat jetty, transit sheds, warehouses, administration building, customs and labor offices, police station, fire station, dangerous goods store, mechanical workshops, a generator, house and various auxiliary buildings. Service roads, paved stacking areas, light towers, a weighbridge, fencing, utilities, and a water supply for the new port facilities will also be provided.

Part II

Procurement and putting into operation of port operating equipment and an 800-H.P. diesel tug for the port of Pisco.

Part III

The making of feasibility studies for the ports of Chimbote, Iquitos, Yurimaguas, Pucallpa and Maldonado; and improving of port operating and accounting procedure in the Public Ports, including the training of personnel.

Part IV

Construction of a new two-lane access road, about 18 kilometers long, to connect the new port facilities with the Pan-American Highway and the town of Pisco.

The Project is expected to be completed about October 1969.

LETTERS RELATING TO THE LOAN AGREEMENT

REPUBLIC OF PERU

May 13, 1966

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

Pisco Port Project
Finances; Rate of Return; Reserves; and Accounts

Gentlemen :

1. We refer to Sections 5.01 and 5.08 of the Loan Agreement (*Pisco Port Project*) of even date between Republic of Peru and International Bank for Reconstruction and Development.

2. We agree that the charges at the new ports of Paita and Pisco will be designed to yield, not later than the second complete year of full operation, a rate of return of not less than six per cent on the average net fixed assets valued on a realistic basis. The rate of return will be reviewed with you from time to time and may be modified by further agreement between us.
3. We intend to maintain at all times an adequate cash position. To this end, we shall maintain the internally-generated funds of each of the ports of Paita and Pisco (net operating revenues plus depreciation and other provisions) at a level sufficient to meet debt interest and amortization, to provide adequate working capital, to establish and preserve adequate liquid reserves to meet accruing liabilities and future contingencies and to cover a material part of the costs of the capital investment programs of said ports, including replacement of assets.
4. We have agreed that until the amount of adequate working capital can be determined on the basis of experience, we shall provisionally determine it at ten per cent of annual operating expenses, excluding depreciation.
5. It is understood that the consultants, referred to in subparagraph (iii) of our letter re : Pisco Port Project—Operations Consultants, will from time to time, in accordance with their terms of reference to be agreed between the Republic of Peru and the Bank, discuss the basic assumptions, principles and progress in respect of their several assignments. In the course of these assignments and discussions they will, *inter alia*, make recommendations as to amounts of liquid reserves required for the ports of Paita and Pisco (a) to meet accruing liabilities and future contingencies and (b) to cover a material part of the costs of the capital investment programs, including replacement of assets. The Republic of Peru and the Bank will consider the consultants' recommendations and determine, by mutual agreement, the amounts of and the procedure for establishing such reserves in the first instance. It is also intended that these reserves will be the subjects of further review and agreement from time to time thereafter between the Republic of Peru and the Bank.
6. The value of net fixed assets for the purpose of calculating the rate of return shall be the average net value for the year arrived at on the basis of the figures on the first and last days of the fiscal year. The net value on each of those days shall be the gross value of fixed assets in use at each of the ports, including land, less accumulated straight-line depreciation based on such values and on the respective useful lives of all depreciable assets calculated in accordance with sound accounting principles consistently applied.
7. At each of these ports, modern commercial accounting procedures, including the establishment of property accounts and the calculation of straight-line depreciation related to realistic values and reasonable service lives of all depreciable assets will be devised after due consideration of the consultants' report prepared pursuant to our letter re : Pisco Port Project—Operations Consultants as soon as possible but not later than November 1, 1966, in the case of Paita, and not later than October 1, 1968, in the case of Pisco. Such commercial accounting procedures designed to facilitate the determination of the costs of providing individual services, will be installed at each port simultaneously with the new facilities coming into partial or full operation.

8. A costing office and costing procedures will be established at each of these ports in order initially to estimate individual service costs as bases for preparing the initial tariffs of rates and charges. The offices and procedures will be established sufficiently early to permit the initial tariffs to be drawn up not later than the dates referred to above.

9. The charges for individual services will be reasonably related to the actual costs of providing such services. The charges will be made effective when the new facilities come into full operation and not later than the dates on which the special port charges will be eliminated for the ports of Paita and Pisco, respectively, pursuant to our letter re : Pisco Port Project—Special Account—Port Works in Salaverry and Other Ports. The charges will be periodically reviewed and adjusted as necessary in accordance with changes in costs and to meet the requirements of paragraphs 2 and 3 above. The first such review will take place not later than November 1, 1967, in the case of Paita and not later than October 1, 1970, in the case of Pisco, or such other dates as shall be agreed between us.

Please confirm 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
Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development :

By Gerald ALTER
Director,
Western Hemisphere Department

REPUBLIC OF PERU

May 13, 1966

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

*Pisco Port Project
Ancillary Works and Actions*

Gentlemen :

Please refer to Section 5.01 (a) and Schedule 2 (Description of Project) of the Loan Agreement (*Pisco Port Project*) of even date between Republic of Peru and International Bank for Reconstruction and Development.

(a) *Access Road*

We undertake to construct and maintain the 18 kilometer long access road needed to connect the new port facilities at Punta Pejerrey with the town of Pisco and the Pan-American Highway. It is our intention to improve the existing roads in the Pisco area to provide suitable connections to the port access road. The entire construction cost of the 18 kilometer long road will be financed directly by the Peruvian Government from sources separate from the Dirección de Administración Portuaria (hereinafter referred to as DAP) funds. The road will be completed by the end of 1966. Although part of the Project, this road will not be financed by the Bank.

(b) *Land to be Owned by Port*

Law No. 15386 of 1965 in Articles 1 (a) and 4 describes the land area dedicated to the proposed port of Pisco. Article 4 (a) and (b) gives further details of the area which will be used exclusively for port operations. We have provided a map with the necessary coordinates which shows the area set aside for port operations of the proposed port of Pisco and the strip of land and sea bed through which the water pipelines will pass together with the area to be set aside for the water wells. The location of these areas has been agreed with the National Planning Commission and their locations have been fixed on the National Survey Grid. DAP has unrestricted ownership of the area which will be used for port operations.

(c) *Maritime and Terrestrial Jurisdiction*

We also discussed what controls DAP has over the waterfront area. In particular, you were concerned whether anyone could interfere with the operations of the proposed port. DAP has jurisdiction over the maritime area. The authority for this jurisdiction is found in Supreme Decree No. 181-H of 1965. The Navy has been consulted about the proposed port of Pisco, but it does not have and does not intend in future to acquire rights which will interfere with the construction or the operation of such port.

Promptly after the establishment of the proposed National Port Authority, we shall discuss with the Bank the limits of the maritime and terrestrial jurisdiction of such authority at the ports of Paita and Pisco and establish the limits by law or regulation as soon as possible after such discussions.

(d) *Housing for Port Workers*

Law No. 15386, Article 1 (a), authorizing the construction of the "New Port of Pisco" contains provisions for installation of the necessary facilities for the administration and operation of that port. Such facilities would include adequate housing for port workers. Accordingly, we undertake that sufficient housing for port workers and other personnel needed for the operation of the port, together with all necessary ancillary roads, utilities, shops, schools and municipal buildings, etc., will be provided in the town of Punta Pejerrey. In particular, since part of the new port facilities may be put into operation before the whole project is completed, we agree to undertake to provide at least 154 housing units, including all necessary utilities, for this purpose not later than December 31, 1968.

(e) *Water Supply*

The water supply installations needed to provide the new port facilities and the proposed town of Punta Pejerrey with a potable water supply adequate for the first stage of development are included in the Bank project. However, as an adequate water supply is essential to future port operations, and as the present water resources in the Rio Seco basin are limited, we will take all necessary measures to assure that the new port facilities and the housing needed for their operation will have an adequate supply of potable water at all times in future.

You have also inquired about measures already taken to ensure that there would be an adequate water supply for port purposes. The map referred to above shows that the wells which will be the source of water for the new municipality, Punta Pejerrey and for the proposed port of Pisco and the strip of land and sea bed through which the water pipelines will pass from those wells to Punta Pejerrey and said port are within the area of which DAP has unrestricted ownership or control. No further steps are necessary to assure the pipeline right-of-way. The area in which the wells are located has been defined so that it is large enough to prevent encroachment upon DAP supplies by others seeking water from the same source. Our technicians have carefully considered this matter and it is their professional judgment that the well area is large enough and that it is adequately protected from encroachment.

In order to further reassure you on these points, we shall transmit to you a decree by the end of 1966 which will require that permission must be obtained from the Ministries of Agriculture, Public Works and Finance before any person may take water from the Rio Seco drainage basin, the hydrologic source of water for the said wells.

We agree to consult with the Bank if any change in the area dedicated to port operations or in the area set aside for the wells and pipelines mentioned above is contemplated.

In short, there is no private ownership in the areas reserved for port operations, nor at the source of water, nor in the area through which the pipelines will pass.

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
Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development :

By Gerald ALTER
Director,
Western Hemisphere Department

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.*]
