

No. 11429

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

**Loan Agreement—*Road Reconstruction Project* (with annexed
General Conditions Applicable to Loan and Guarantee
Agreements). Signed at Washington on 14 September 1970**

Authentic text : English.

*Registered by the International Bank for Reconstruction and Development on
16 December 1971.*

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

**Contrat d'emprunt — *Projet de reconstruction de routes*
(avec, en annexe, les Conditions générales applicables aux
contrats d'emprunt et de garantie). Signé à Washington le
14 septembre 1970**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 16 décembre 1971.*

LOAN AGREEMENT¹

AGREEMENT, dated September 14, 1970, between REPUBLIC OF PERU (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions) :

(a) Section 3.02 is deleted.

(b) Section 5.01 is deleted.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the term " Directorate " means the Dirección General de Transporte Terrestre of the Ministry of Transport and Communications.

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 thirty million dollars (\$30,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 3 to this Agreement and to be financed under the Loan Agreement and in respect of interest and

¹ Came into force on 26 October 1970, upon notification by the Bank to the Government of Peru.

² See p. 26 of this volume.

other charges on the Loan; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. The Closing Date shall be September 30, 1975 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.04. 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%) on the principal amount of the Loan not withdrawn from time to time. Such commitment charge shall accrue from a date 60 days after the date of this Agreement on all amounts not withdrawn from Categories I, III, IV and V of Schedule 1 to this Agreement and from a date 365 days after the date of this Agreement on all amounts not withdrawn from Category II of Schedule 1 to this Agreement. An additional commitment charge at the rate of one half of one per cent ($\frac{1}{2}$ of 1%) per annum shall be payable on the principal amount of any special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions and outstanding from time to time.

Section 2.05. The Borrower shall pay interest at the rate of seven and one-fourth per cent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on December 15 and June 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 2 to this Agreement.

Section 2.08. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 2.09. The *Ministro de Economía y Finanzas* of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. Except as the Bank shall otherwise agree, the Borrower in carrying out the Project shall employ engineering consultants and other experts acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower in carrying out Part B of the Project shall employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.04. (a) Except as the Bank shall otherwise agree, (i) the goods and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Bank and the Borrower, and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Loan shall (except as otherwise provided in such Schedule) be subject to the prior concurrence of the Bank.

(b) The Borrower undertakes to insure, or make adequate provision for the insurance of, any 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 for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(c) Except as the Bank shall otherwise agree, all goods and services financed out of the proceeds of the Loan for Part B of the Project shall be used exclusively for that Part of the Project until its completion.

Section 3.05. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for Part B of the Project, and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) The Borrower : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds

of the Loan and the goods and services financed out of such proceeds.

Section 3.06. The general design standards and the type of surfacing (including pavement) to be used in Part B of the Project shall be as determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Article IV

OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that if any such lien shall be created, it 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 in the creation of any such lien express provision will be made to that effect.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term “governmental assets” means 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 the Banco Central de Reserva del Perú or any institution performing the functions of a central bank for the Borrower.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.03. (a) The Borrower shall maintain and repair all roads included in Part B and the national and departmental roads within the two pilot zones included in Part C of the Project in accordance with sound engineering and financial practices and shall provide promptly as needed the funds, equipment, workshop facilities, labor and other resources required for the purpose

and ensure that the maintenance and repair work that is necessary is effected without delay.

(b) Without limitation on the Borrower's obligations under the foregoing paragraph (a), the Borrower shall, over the five year period commencing January 1, 1971, gradually increase the funds allocated in its yearly budget for highway maintenance until the funds so allocated shall be sufficient adequately to meet the maintenance needs of the Borrower's highway system.

Section 4.04. (a) The Borrower shall take such steps as shall be reasonably required to ensure that the dimensions and axle-loads of vehicles using the highways in its national highway system shall not exceed the limits prescribed by the regulations of the Borrower in force at the date of this Agreement or such other limits as may be agreed upon from time to time between the Borrower and the Bank.

(b) The Borrower shall collect and record in accordance with appropriate statistical methods and procedures such technical, economic and financial information as shall be reasonably required for proper planning of maintenance, improvements and extensions of the national highway system of the Borrower.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party :

(a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, and in particular the appropriations made by the Borrower in its budgets for the carrying out of the Project and for the maintenance and repair work referred to in Section 4.03 of this Agreement, the programs for highway construction and maintenance to be included in its Five Year Plan for the period 1971-1975 and the operations of the departments or agencies of the Borrower responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan; and

(b) 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning

the operations and financial condition of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, including the availability of funds.

(b) 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, the maintenance of the service thereof, or the performance by the Borrower of its other obligations under the Loan Agreement.

Section 5.03. 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.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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 foregoing 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 6.02. The Loan Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories 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 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the

Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Article VIII

TERMINATION

Section 8.01. The date November 30, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The *Ministro de Economía y Finanzas* of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower :

Ministerio de Economía y Finanzas
Avenue Abancay
Lima
Perú
Cable address :
Minhacienda
Lima

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable address :
Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their

respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Peru :

By FERNANDO BERCKEMEYER
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of eligible expenditures so to be financed in each category:

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Feasibility studies and detailed engineering for Part A of the Project	1,800,000	80% of total expenditures
II. Road reconstruction and improvement including supervision for Part B of the Project	21,000,000	67% of total expenditures
III. Technical assistance	1,200,000	80% of total expenditures
IV. Maximum amount to cover interest and other charges on the Loan accrued on or before September 30, 1975	5,000,000	100% of foreign expenditures
V. Unallocated	1,000,000	
TOTAL	<u>30,000,000</u>	

2. For the purposes of this Schedule :

- (a) the term “ foreign expenditures ” means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any member of the Bank (other than the Borrower) or of Switzerland;
- (b) the term “ local expenditures ” means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and
- (c) the term “ total expenditures ” means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures prior to the date of this Agreement; and
- (b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentages set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank to the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category other than Category IV shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Categories I, II or III shall increase and no proceeds of the Loan are available for reallocation to such Category, the Bank may, after consultation with the Borrower, modify the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

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>
December 15, 1980	345,000	December 15, 1990	705,000
June 15, 1981	355,000	June 15, 1991	730,000
December 15, 1981	370,000	December 15, 1991	755,000
June 15, 1982	385,000	June 15, 1992	780,000
December 15, 1982	395,000	December 15, 1992	810,000
June 15, 1983	410,000	June 15, 1993	840,000
December 15, 1983	425,000	December 15, 1993	870,000
June 15, 1984	440,000	June 15, 1994	900,000
December 15, 1984	460,000	December 15, 1994	935,000
June 15, 1985	475,000	June 15, 1995	970,000
December 15, 1985	490,000	December 15, 1995	1,005,000
June 15, 1986	510,000	June 15, 1996	1,040,000
December 15, 1986	530,000	December 15, 1996	1,075,000
June 15, 1987	550,000	June 15, 1997	1,115,000
December 15, 1987	565,000	December 15, 1997	1,155,000
June 15, 1988	590,000	June 15, 1998	1,200,000
December 15, 1988	610,000	December 15, 1998	1,240,000
June 15, 1989	630,000	June 15, 1999	1,285,000
December 15, 1989	655,000	December 15, 1999	1,335,000
June 15, 1990	680,000	June 15, 2000	1,385,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than four years before maturity	3%
More than four years but not more than eight years before maturity	2½%
More than eight years but not more than fourteen years before maturity	3 %
More than fourteen years but not more than twenty years before maturity	4½%
More than twenty years but not more than twenty-six years before maturity	5¾%
More than twenty-six years but not more than twenty-eight years before maturity	6¾%
More than twenty-eight years before maturity	7½%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of :

Part A. (i) A feasibility study of the main roads leading to and within the Callejon de Huaylas including such location studies as may be required.

(ii) Detailed engineering of the roads or road sections selected for reconstruction and improvement by the Borrower and the Bank after the completion of the feasibility study referred to in (i) above and of such other roads or road sections as shall be agreed upon by the Borrower and the Bank.

Part B. The reconstruction and improvement of the roads or road sections so selected including supervision by consultants.

Part C. Technical assistance to enable the Directorate to improve its maintenance and betterment of the national and departmental roads of the Borrower, with assistance in the field in two pilot zones, the location of which shall be agreed upon by the Borrower and the Bank.

The project is expected to be completed by March 31, 1975.

SCHEDULE 4

PROCUREMENT

With respect to contracts for goods and services in Category II of the allocation of the amounts of the Loan, the following procedures shall apply :

(a) No invitations for bids shall be issued until agreement has been reached between the Borrower and the Bank on the road or road sections to be included in Part A (i) of Schedule 3 to this Agreement.

(b) Prior to advertising for interested contractors to submit prequalification data, a copy of the standard prequalification documents will be submitted to the Bank for its comments. A minimum period of 45 days will be allowed after the publication of this advertisement for interested contractors to submit prequalification data.

(c) Prior to issuing invitations for bids, the Borrower will submit to the Bank for its concurrence a copy of the bid documents and a list of prequalified contractors, supported by an analysis of prequalification applications.

(d) The time interval referred to in Section 3.1 of the *Guidelines for Procurement under World Bank Loans and IDA Credits* between the invitation to bid and bid opening shall be not less than 60 days.

(e) Bid bonds shall be required of bidders in accordance with Section 2.5 of the said *Guidelines* for about 2% of the estimated contract amount.

(f) The successful bidder or bidders shall furnish a performance bond or bonds to the value of 100% or a bank guarantee to the value of 10% of the contract price or prices, which bond or bonds shall remain in force until six months after completion of the works to which the bond or bonds apply. In addition, the contract will provide

for retention money at least equal to 10% of the amount payable under each monthly invoice until a total amount equal to 5% of the total contracting price shall have been reached.

(g) Prior to awarding any contract, the Borrower shall submit to the Bank for its concurrence an official record of the opening of bids, an evaluation of the bids received, the Consultants' recommendations to the Borrower, if any, on the bidding and the Borrower's proposal concerning the contract and the award.

(h) As soon as possible after the execution of any contract and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, a certified copy of such contract shall be sent to the Bank.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]
