AGREEMENT, dated September 18, 1978

between

1. The Republic of Peru, hereinafter called "Borrower" and

2. De Nederlandse Investeringsmaatschappij voor Ontwikkelingslanden N.V., established at The Hague, The Netherlands, hereinafter called "The Bank";

WHEREAS:

The Government of the Kingdom of The Netherlands offered by its letter dated February 2, 1977 to the Government of Peru - which offer was accepted on March 22, 1977 - to make available to Borrower a loan up to an amount of Hfl. 25,000,000,- to be used to finance requirements for goods and/or services in connection with the development of Peru.

The Bank is prepared to grant to Borrower the aforementioned loan up to an amount of Hfl. 25,000,000,-.

NOW IT IS HEREBY AGREED AS FOLLOWS:

The Bank shall extend to Borrower and Borrower shall accept from the Bank a loan up to an amount of Hfl. 25,000,000,- (twenty-five million Netherlands guilders) on the terms and conditions set forth in the following articles.

Article 1.

(1) As from the date of this Agreement it shall become effective in accordance with Article 23 of this Agreement the amount of the loan shall be put at the disposal of Borrower with observance of the articles of this Agreement.

The drawings under the loan shall be charged to a Loan Account Peru 1977.

(2) No disbursements shall be allowed after December 31, 1980 unless otherwise agreed upon.

Article 2.

(1) Borrower shall pay on the outstanding amount of the loan a rate of interest of 4.3/4% (four and three quarters of one per cent) per annum which interest shall accrue from the respective dates of drawing.

(2) The interest on the loan shall be due and payable semi-annually on January 31 and July 31 of each year.

Article 3.

(1) The loan shall be used for the projects agreed upon between the Government of the Republic of Peru and the Government of the Kingdom of The Netherlands either during the quarterly Evaluation Meetings on the Technical and Financial Co-operation Programs or through an exchange of letters. The use of the loan shall be subject to the content of the letters dated February 2, 1977 from the Government of the Kingdom of The Netherlands to the Government of Borrower and the letter dated March 22, 1977 from the Government of Borrower to the Government of the Kingdom of The Netherlands.
(2) There shall be regular contacts between Borrower and the Financial and Economic Development Co-operation Department of the Netherlands Ministry of Foreign Affairs on the use of the loan according to the letters mentioned in the preceding paragraph of this article. The said Ministry will inform the Bank of its approval of the transactions which may be financed out of the loan.

(3) Wherever used in this Agreement the term "goods" shall mean goods and services.

(4) Wherever used in this Agreement the term "eligible source country" shall mean one of the countries other than The Netherlands, mentioned in the arrangement(s) concerned, if and when made, between the Government of Borrower and the Government of the Kingdom of The Netherlands, by virtue of which arrangement(s) goods to be financed out of the loan can be purchased in these countries.

Article 4.

When Borrower decides to draw any amount on the loan, Borrower shall request such a drawing by sending the Bank a written request as mentioned in Article 7, 8, 9, 11 or 12 of this Agreement accompanied by a copy of the purchase-contract concerned.

Article 5.

The drawings on the loan shall be made either

(a) through an undertaking by the Bank to reimburse a bank in The Netherlands which is authorized by a bank in the country of Borrower to pay the Netherlands supplier of the goods under a letter of credit against stipulated documents, the former bank hereinafter referred to as the "Netherlands paying bank". An undertaking to reimburse will be considered to be a drawing on the loan on the date of reimbursement by the Bank

or

(b) in cases in which such a method of payment is more adequate - by direct payment by the Bank to the account of the Netherlands supplier of the goods with a bank in The Netherlands.

or

(c) by reimbursement by the Bank to Borrower of the payments made by purchasers in the country of Borrower to the suppliers of the goods in The Netherlands.

Article 6.

(1) The Bank shall examine each application on the terms and conditions of this Agreement and having found the application in order, shall inform Borrower of its approval.

(2) The Bank is entitled to debit wholly or partially an amount drawn by Borrower to an unused balance that may subsist on any other loan granted to Borrower by the Bank if such a debiting is appropriate in the view of the Bank.

- Article 7. -
Article 7

(1) In the case of Article 5(a) the Bank shall undertake to reimburse the Netherlands paying bank after receipt of a written request from Borrower for such an undertaking together with a copy of the relative letter of credit.

(2) The request implies the unconditional and irrevocable authorization by Borrower to the Bank to make the payment pursuant to the undertaking to the Netherlands paying bank in due time.

(3) The amount of the commitment by the Bank shall in all circumstances be expressed in Netherlands currency.

(4) Upon receipt of a statement from the Netherlands paying bank that all conditions of the letter of credit have been complied with the Bank shall be discharged by Borrower by the reimbursement without accepting any responsibility for the compliance with the conditions of the letter of credit.

(5) The Bank is furthermore irrevocably authorized to extend the validity period of an undertaking as mentioned upon receipt of a statement from the Netherlands paying bank that the validity period of the underlying letter of credit has been duly extended.

Article 8

In the case of Article 5(b) the Bank shall make the direct payment concerned in Netherlands guilders in favour of the Netherlands supplier upon receipt of a written request from Borrower for the relevant payment, defining specifically the amount to be paid, the name and address of the firm to which the amount has to be paid and the purchase-contract concerned.

Article 9

(1) In the case of Article 5(c) the Bank shall reimburse Borrower in Netherlands currency through the intermediary of an authorized bank in The Netherlands for the payments referred to in Article 5(c) in The Netherlands after receipt of a written request from Borrower for such reimbursement, the supplier's receipt, the certificate of payment from the bank making the payment and a copy of the purchase-contract.

(2) The transfer charges on the reimbursement mentioned in the preceding paragraph of this article are for the account of Borrower and the Bank is herewith irrevocably authorized to draw on the loan for the payment of these charges.

Article 10

In the case that arrangement(s) as mentioned in paragraph 4 of Article 3 are made between the Government of Borrower and the Government of the Kingdom of The Netherlands by virtue of which arrangement(s) goods to be financed out of the loan can be purchased in an eligible source country the drawings on the loan shall be made - such contrary to Article 5 - either
a) through an undertaking to reimburse a bank in the country of Borrower which has authorized a bank in an eligible source country to pay the supplier of the goods in that country under a letter of credit against stipulated documents, the bank in the country of Borrower hereinafter referred to as the "opening bank", and the bank in the eligible source country hereinafter referred to as the "paying bank". An undertaking to reimburse will be considered to be a drawing on the loan on the date of reimbursement by the Bank
or
b) by reimbursement by the Bank to Borrower of the payments made by the purchasers in the country of Borrower to the suppliers of the goods in an eligible source country
or
c) in another way to be agreed upon between Borrower and the Bank.

Article 11

(1) In the case of Article 10 (a) the Bank shall undertake to reimburse the opening bank after receipt of the written request of Borrower for such an undertaking together with a copy of the relative letter of credit.

(2) The request implies the unconditional and irrevocable authorization by Borrower to the Bank to make the payment pursuant to the undertaking to the opening bank or to the paying bank if the opening bank will request the Bank such method of payment as the case may occur.

(3) The Bank shall take the appropriate measures to cover, if possible, the exchange risk between the Netherlands currency and the foreign currency in which payment under the letter of credit has to be performed, at the time of accepting the undertaking to reimburse in conformity with the foregoing paragraphs and to hold the exchange risk covered subsequently, being the exchange risk in all circumstances for account and risk of Borrower.

(4) The costs of the coverage mentioned in the preceding paragraph are for the account of Borrower and the Bank is herewith irrevocably authorized by Borrower to draw on the loan for the payment of these costs.

(5) The Bank shall reimburse the opening bank or the paying bank as the case may be. Paragraph 4 and 5 of Article 7 are applicable mutatis mutandis.

(6) The transfer charges on the reimbursement are for the account of Borrower and the Bank is herewith irrevocably authorized by Borrower to draw on the loan for the payment of these charges.

(7) In so far as the provisions, mentioned in this article, call for a further elaboration in a specific case, parties shall agree thereon.
Article 12.

(1) In the case of Article 10(b) the Bank shall reimburse Borrower in Netherlands currency through the intermediary of an authorized bank in The Netherlands for the payments referred to in Article 10(b) after receipt of a written request from Borrower for such reimbursement, the supplier's receipt, the certificate of payment from the bank making the payment and a copy of the purchase-contract.

(2) The transfer charges on the reimbursement mentioned in the preceding paragraph of this article are for the account of Borrower and the Bank is herewith irrevocably authorized by Borrower to draw on the loan for the payment of these charges.

Article 13.

Local costs to be financed out of the loan will be paid by the Bank in Netherlands currency through the intermediary of an authorized bank in The Netherlands either in accordance with Article 12 of this Agreement or directly to a Peruvian Contractor or supplier after receipt of a written request from Borrower to make such payment indicating the Peruvian bank-account in favour of which the amount has to be paid together with the documents duly proving that the costs concerned have been made.

Article 14.

(1) The loan shall be repayable in twenty-three consecutive annual instalments, the first of which shall be due and payable on the last day of the ninety-sixth calendar month after the date first above written and so on.

(2) The first repayment with respect to the loan will amount to Hfl. 1,086,000,- (one million and eighty-six thousand Netherlands guilders) and the following ones to Hfl. 1,087,000,- (one million and eighty-seven thousand Netherlands guilders) each.

Article 15.

(1) In case Borrower fails to pay interest on the respective due date, the amount unpaid will be increased by a compensation equal to nineteen forty-eight of one per cent (19/48 %) per calendar month as long as the failure continues - a part of a month to count as a full month.

(2) In case Borrower fails to perform any of its obligations under this Agreement and/or any other Loan Agreement between Borrower and the Bank, Borrower shall no longer be entitled to draw on the loan and the outstanding amount under this Agreement and any other Loan Agreement between Borrower and the Bank shall be due and collectable at once upon notification in writing of the failure and the said amount plus interest and compensation shall be paid by Borrower to the Bank forthwith. However, as far as the then prevailing circumstances at the discretion of the Bank will permit, the Bank shall grant the opportunity to Borrower to fulfil its obligations within a term of at most sixty days.

Article 16.

(1) All payments received by the Bank will be applied in the following order:
   a. to payment of compensation;
   b. to payment of costs;
   c. to payment of interest:
(2) All payments by Borrower to the Bank must be made in Netherlands currency in the account of the Bank with De Nederlandsche Bank N.V. at Amsterdam, without any reduction or set-off.

(3) This Agreement and all drawings, reimbursements, interest payments and all other payments by Borrower to the Bank pursuant to this Agreement shall be free from any taxes (including duties, fees and impositions) that shall be imposed under the laws of Borrower or laws in effect in its territories and shall also be free from all restrictions imposed under the laws of Borrower or laws in effect in its territories.

Article 16

The Bank shall send to Borrower a written statement of all entries in the books of the Bank in connection with this Agreement. This statement shall be deemed to have been acknowledged as correct by Borrower if objections of Borrower to the Bank duly justified in writing have not been made known to the Bank within sixty days after the statement relating to these entries can reasonably be expected to have been received by Borrower. For the purpose of the preceding sentence the Bank shall accept telex messages.

Article 17

As long as this Agreement is in force Borrower shall furnish to the Bank such information as may especially be required for the implementation and administration of the Agreement.

Article 18

(1) Borrower is obliged to furnish to the Bank in writing sufficient evidence of authority of its authorized representative or representatives in the performance of this Agreement. Moreover, Borrower shall furnish to the Bank the specimen signature of each such person.

(2) The person or persons concerned shall bind Borrower fully to any amount, and in any respect.

(3) These authorizations remain in force until the Bank has been informed by Borrower in writing that they have been cancelled.

Article 19

No delay in exercising or omission to exercise any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default, unless otherwise provided for in this Agreement.

Article 20

All rights of the Bank pursuant to this Agreement shall not only to itself but also to its successors and assigns.
Article 27.
Borrower shall reimburse to the Bank on first request all costs deriving from any default by Borrower as incurred by the Bank in connection with the implementation of this Agreement.

Article 23.
(1) Any disagreement that may arise in connection with this Contract will be solved definitely by arbitration. At the arise of a disagreement the party who requests the arbitration will address the other in writing setting forth the matter to be arbitrated. Within the following 20 days each one of the parties will appoint directly an arbitrator and both in accordance will nominate the third arbitrator who will be the President of the Court of Arbitration. If this term is exceeded without the nomination being done or without agreeing upon the President, the arbitrator and/or the President will be appointed by the Court of Arbitration of the International Chamber of Commerce of Paris. The Court of Arbitration will operate in the City of Rotterdam, Holland, and will proceed in accordance with the regulations for arbitrations of the aforementioned International Chamber of Commerce of Paris. The verdicts of the Court will be based on the terms of the agreement and will be definitive and compulsory for both parties.

(2) The Bank submits itself expressly to the Courts of the Republic of Peru as to the execution of the verdict to which this clause refers.

Article 24.
This Agreement shall not become effective until either party having signed the Agreement, has furnished evidence satisfactory to the other party that its signature is legal, valid and binding and that all necessary authorizations have been obtained.

Article 25.
(1) For the performance of this Contract and for the serving of legal process Borrower irrevocably elects domicile at the Embassy of Peru at The Hague and the Bank elects domicile at its office at The Hague.

(2) In witness whereof the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in duplicate in their respective names and delivered in The Hague as of the day and year first above written.

For and on behalf of the
REPUBLIC OF PERU

[Signature]

JORGE VELANDO UGARTECHE
Embajador del Peru

DE NEDERLANDSE INVESTERINGSBANK
VOOR ONTWIKKELINGSLANDEN N.V.
Managing Director:
DE NATIONALE INVESTERINGSBANK N.V.