

No. 3448/IC-L

NOTE VERBALE

The Ministry of Foreign Affairs presents its compliments to the Embassy of the Republic of Peru and has the honour to refer to sub-paragraph (2) of paragraph 3. of the Exchange of Notes dated November 20, 2006, concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of Peru.

The Ministry has further the honour to propose that the scope of eligible source countries mentioned in the said sub-paragraph of the said Exchange of Notes will be all countries and areas.



Tokyo, November 20, 2006.

Tokyo, November 20, 2006

Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and of the Government of the Republic of Peru concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of Peru:

1. A loan in Japanese yen up to the amount of five billion nine hundred and seventy-two million yen (¥5,972,000,000) (hereinafter referred to as "the Loan") will be extended, in accordance with the relevant laws and regulations of Japan, to the Government of the Republic of Peru by Japan Bank for International Cooperation (hereinafter referred to as "the Bank") for the purpose of implementing the Irrigation Sub-Sector Project (hereinafter referred to as "the Project").

2. (1) The Loan will be made available by a loan agreement to be concluded between the Government of the Republic of Peru and the Bank. The terms and conditions of the Loan as well as the procedures for its utilization will be governed by the said loan agreement which will contain, inter alia, the following principles:

(a) The repayment period will be eighteen (18) years after the grace period of seven (7) years;

(b) The rate of interest will be one point five per cent (1.5%) per annum; and

(c) The disbursement period will be six (6) years after the date of coming into force of the said loan agreement.

(2) The loan agreement mentioned in sub-paragraph (1) above will be concluded after the Bank is satisfied of the feasibility, including environmental consideration, of the Project.

(3) The disbursement period mentioned in sub-paragraph (1)(c) above may be extended with the consent of the authorities concerned of the two Governments.

His Excellency
Mr. Jose Antonio Garcia Belaunde
Minister of Foreign Affairs
of the Republic of Peru

3. (1) The Loan will be made available to cover payments to be made by the Peruvian executing agency to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of products and/or services required for the implementation of the Project, provided that such purchases are made in such eligible source countries for products produced in and/or services supplied from those countries.

(2) The scope of eligible source countries mentioned in sub-paragraph (1) above shall be agreed upon between the authorities concerned of the two Governments.

(3) A part of the Loan may be used to cover eligible local currency requirements for the implementation of the Project.

4. The Government of the Republic of Peru shall ensure that the products and/or services mentioned in sub-paragraph (1) of paragraph 3. are procured in accordance with the guidelines for procurement of the Bank, which set forth, inter alia, the procedures of international competitive bidding to be followed except where such procedures are inapplicable or inappropriate.

5. With regard to the shipping and marine insurance of the products purchased under the Loan, the Government of the Republic of Peru shall refrain from imposing any restrictions that may hinder fair and free competition among the shipping and marine insurance companies.

6. Japanese nationals whose services may be required in the Republic of Peru in connection with the supply of the products and/or services mentioned in sub-paragraph (1) of paragraph 3. shall be accorded such facilities as may be necessary for their entry into the Republic of Peru and stay therein for the performance of their work.

7. The Government of the Republic of Peru shall exempt:

(a) the Bank from all fiscal levies and taxes imposed in the Republic of Peru on and/or in connection with the Loan as well as interest accruing therefrom;

(b) Japanese companies operating as suppliers, contractors and/or consultants from all fiscal levies and taxes imposed in the Republic of Peru with respect to the income accruing from the supply of products and/or services to be provided under the Loan as long as the Peruvian legislation allows;

(c) Japanese companies operating as suppliers, contractors and/or consultants from all duties and related fiscal charges imposed in the Republic of Peru, in accordance with the Peruvian legislation in force, with respect to the import and re-export of their own materials and equipment needed for the implementation of the Project; and

(d) Japanese employees engaged in the implementation of the Project from all fiscal levies and taxes imposed in the Republic of Peru on their personal income derived from Japanese companies operating as suppliers, contractors and/or consultants for the implementation of the Project as long as the Peruvian legislation allows.

8. The Government of the Republic of Peru shall take necessary measures to ensure that:

(a) the Loan be used properly and exclusively for the Project; and

(b) the facilities constructed under the Loan be maintained and used properly and effectively for the purpose prescribed in the present understanding.

9. The Government of the Republic of Peru shall, upon request, furnish the Government of Japan and the Bank with information and data concerning the progress of the implementation of the Project.

10. The two Governments shall consult with each other with respect to any matter that may arise from or in connection with the present understanding.

I have further the honour to propose that this Note and Your Excellency's Note in reply confirming on behalf of the Government of the Republic of Peru the foregoing understanding shall constitute an agreement between the two Governments, which shall enter into force on the date of Your Excellency's Note in reply.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

麻生太郎

Minister for Foreign Affairs
of Japan

Record of Discussions

In connection with the Exchange of Notes dated November 20, 2006 (hereinafter referred to as "the Exchange of Notes"), concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of Peru (hereinafter referred to as "the Loan"), the representatives of the Japanese Delegation and of the Peruvian Delegation wish to record the following:

1. With regard to sub-paragraph (3) of paragraph 3. of the Exchange of Notes concerning the financing of eligible local currency requirements for the implementation of the project mentioned in paragraph 1. of the Exchange of Notes (hereinafter referred to as "the Project"), the representative of the Japanese Delegation stated that:

(1) such local currency requirements as general administrative expenses, interest during construction, taxes and duties, expenses connected to offices, remuneration to employees of the executing agency and housing, not directly related to the implementation of the Project, as well as purchase of land properties, compensation and the like, however, will not be considered as eligible for financing under the Loan; and

(2) the procurement of products and/or services will be made in accordance with the procedures of international competitive bidding except where such procedures are inapplicable or inappropriate.

2. With regard to the Loan, the representative of the Japanese Delegation stated that any financial requirements of the Project exceeding the amount of the Loan under the loan agreement mentioned in sub-paragraph (1) of paragraph 2. of the Exchange of Notes will be duly met by the Government of the Republic of Peru to assure the smooth implementation of the Project.

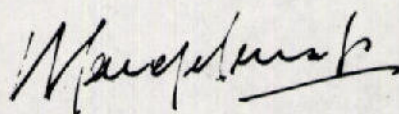
3. With regard to paragraph 8. of the Exchange of Notes,

(1) the representatives of the Japanese Delegation and of the Peruvian Delegation share the recognition that all necessary measures will be taken to prevent any offer, gift or payment, consideration or benefit which would be construed as a corrupt practice from being made as an inducement to or reward for the award of the contracts referred to in sub-paragraph (1) of paragraph 3. of the Exchange of Notes; and

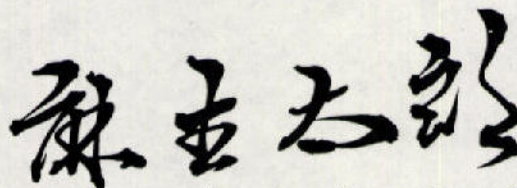
(2) the representative of the Japanese Delegation stated that the Government of the Republic of Peru will take all necessary measures to enable and facilitate an ex-post procurement audit to be carried out by independent auditors which Japan Bank for International Cooperation (hereinafter referred to as "the Bank") will designate, to be paid at the Bank's expense, in order to ensure the fairness and competitiveness of the procurement process, in case the Bank considers such an audit to be necessary.

4. The representative of the Peruvian Delegation stated that his Delegation had no objection to the above-mentioned statements by the Japanese Delegation mentioned in 1., 2. and 3.(2) above.

Tokyo, November 20, 2006



Aso Taro
Minister for Foreign
Affairs of Japan



Jose Antonio Garcia Belaunde
Minister of Foreign Affairs
of the Republic of Peru



EMBAJADA DEL PERU

Note No. 5-18-M/46-2006

The Embassy of the Republic of Peru presents its compliments to the Ministry of Foreign Affairs and has the honour to acknowledge the receipt of the latter's Note Verbale No. 3448/IC-L, dated 20 November 2006.

The Embassy has further the honour to inform the Ministry that the proposal set forth in the said Note Verbale is acceptable to the Government of the Republic of Peru.

The Embassy of the Republic of Peru avails itself of this opportunity to renew to the Ministry of Foreign Affairs of Japan, the assurances of its highest consideration.

November 20, 2006



To the Honorable
Ministry of Foreign Affairs of Japan
Tokio.-

Tokyo, November 20, 2006

Excellency,

I have the honour to acknowledge the receipt of Your Excellency's Note of today's date, which reads as follows:

" I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and of the Government of the Republic of Peru concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of Peru:

1. A loan in Japanese yen up to the amount of five billion nine hundred and seventy-two million yen (¥5,972,000,000) (hereinafter referred to as "the Loan") will be extended, in accordance with the relevant laws and regulations of Japan, to the Government of the Republic of Peru by Japan Bank for International Cooperation (hereinafter referred to as "the Bank") for the purpose of implementing the Irrigation Sub-Sector Project (hereinafter referred to as "the Project").

2. (1) The Loan will be made available by a loan agreement to be concluded between the Government of the Republic of Peru and the Bank. The terms and conditions of the Loan as well as the procedures for its utilization will be governed by the said loan agreement which will contain, inter alia, the following principles:

(a) The repayment period will be eighteen (18) years after the grace period of seven (7) years;

(b) The rate of interest will be one point five per cent (1.5%) per annum; and

(c) The disbursement period will be six (6) years after the date of coming into force of the said loan agreement.

(2) The loan agreement mentioned in sub-paragraph (1) above will be concluded after the Bank is satisfied of the feasibility, including environmental consideration, of the Project.

(3) The disbursement period mentioned in sub-paragraph (1)(c) above may be extended with the consent of the authorities concerned of the two Governments.

3. (1) The Loan will be made available to cover payments to be made by the Peruvian executing agency to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of products and/or services required for the implementation of the Project, provided that such purchases are made in such eligible source countries for products produced in and/or services supplied from those countries.

(2) The scope of eligible source countries mentioned in sub-paragraph (1) above shall be agreed upon between the authorities concerned of the two Governments.

(3) A part of the Loan may be used to cover eligible local currency requirements for the implementation of the Project.

4. The Government of the Republic of Peru shall ensure that the products and/or services mentioned in sub-paragraph (1) of paragraph 3. are procured in accordance with the guidelines for procurement of the Bank, which set forth, inter alia, the procedures of international competitive bidding to be followed except where such procedures are inapplicable or inappropriate.

5. With regard to the shipping and marine insurance of the products purchased under the Loan, the Government of the Republic of Peru shall refrain from imposing any restrictions that may hinder fair and free competition among the shipping and marine insurance companies.

6. Japanese nationals whose services may be required in the Republic of Peru in connection with the supply of the products and/or services mentioned in sub-paragraph (1) of paragraph 3. shall be accorded such facilities as may be necessary for their entry into the Republic of Peru and stay therein for the performance of their work.

7. The Government of the Republic of Peru shall exempt:

(a) the Bank from all fiscal levies and taxes imposed in the Republic of Peru on and/or in connection with the Loan as well as interest accruing therefrom;

(b) Japanese companies operating as suppliers, contractors and/or consultants from all fiscal levies and taxes imposed in the Republic of Peru with respect to the income accruing from the supply of products and/or services to be provided under the Loan as long as the Peruvian legislation allows;

(c) Japanese companies operating as suppliers, contractors and/or consultants from all duties and related fiscal charges imposed in the Republic of Peru, in accordance with the Peruvian legislation in force, with respect to the import and re-export of their own materials and equipment needed for the implementation of the Project; and

(d) Japanese employees engaged in the implementation of the Project from all fiscal levies and taxes imposed in the Republic of Peru on their personal income derived from Japanese companies operating as suppliers, contractors and/or consultants for the implementation of the Project as long as the Peruvian legislation allows.

8. The Government of the Republic of Peru shall take necessary measures to ensure that:

(a) the Loan be used properly and exclusively for the Project; and

(b) the facilities constructed under the Loan be maintained and used properly and effectively for the purpose prescribed in the present understanding.

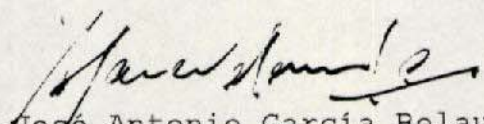
9. The Government of the Republic of Peru shall, upon request, furnish the Government of Japan and the Bank with information and data concerning the progress of the implementation of the Project.

10. The two Governments shall consult with each other with respect to any matter that may arise from or in connection with the present understanding.

I have further the honour to propose that this Note and Your Excellency's Note in reply confirming on behalf of the Government of the Republic of Peru the foregoing understanding shall constitute an agreement between the two Governments, which shall enter into force on the date of Your Excellency's Note in reply."

I have further the honour to confirm on behalf of the Government of the Republic of Peru the foregoing understanding and to agree that Your Excellency's Note and this Note in reply shall constitute an agreement between the two Governments, which shall enter into force on the date of this Note in reply.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

A handwritten signature in dark ink, appearing to read 'José Antonio García Belaunde', is written above the printed name.

José Antonio García Belaunde
Minister of Foreign Affairs

Record of Discussions

In connection with the Exchange of Notes dated November 20, 2006 (hereinafter referred to as "the Exchange of Notes"), concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of Peru (hereinafter referred to as "the Loan"), the representatives of the Peruvian Delegation and of the Japanese Delegation wish to record the following:

1. With regard to sub-paragraph (3) of paragraph 3. of the Exchange of Notes concerning the financing of eligible local currency requirements for the implementation of the project mentioned in paragraph 1. of the Exchange of Notes (hereinafter referred to as "the Project"), the representative of the Japanese Delegation stated that:

(1) such local currency requirements as general administrative expenses, interest during construction, taxes and duties, expenses connected to offices, remuneration to employees of the executing agency and housing, not directly related to the implementation of the Project, as well as purchase of land properties, compensation and the like, however, will not be considered as eligible for financing under the Loan; and

(2) the procurement of products and/or services will be made in accordance with the procedures of international competitive bidding except where such procedures are inapplicable or inappropriate.

2. With regard to the Loan, the representative of the Japanese Delegation stated that any financial requirements of the Project exceeding the amount of the Loan under the loan agreement mentioned in sub-paragraph (1) of paragraph 2. of the Exchange of Notes will be duly met by the Government of the Republic of Peru to assure the smooth implementation of the Project.

3. With regard to paragraph 8. of the Exchange of Notes,

(1) the representatives of the Peruvian Delegation and of the Japanese Delegation share the recognition that all necessary measures will be taken to prevent any offer, gift or payment, consideration or benefit which would be construed as a corrupt practice from being made as an inducement to or reward for the award of the contracts referred to in sub-paragraph (1) of paragraph 3. of the Exchange of Notes; and

(2) the representative of the Japanese Delegation stated that the Government of the Republic of Peru will take all necessary measures to enable and facilitate an ex-post procurement audit to be carried out by independent auditors which Japan Bank for International Cooperation (hereinafter referred to as "the Bank") will designate, to be paid at the Bank's expense, in order to ensure the fairness and competitiveness of the procurement process, in case the Bank considers such an audit to be necessary.

4. The representative of the Peruvian Delegation stated that his Delegation had no objection to the above-mentioned statements by the Japanese Delegation mentioned in 1., 2. and 3.(2) above.

Tokyo, November 20, 2006



José Antonio García Belaunde
Minister of Foreign Affairs of
Republic of Peru



Aso Taro
Minister for Foreign
Affairs of Japan