

Loan Agreement No. PE-C2

L O A N   A G R E E M E N T

For

Financial Sector Adjustment Program

Between

THE OVERSEAS ECONOMIC COOPERATION FUND, JAPAN

And

THE REPUBLIC OF PERU

Dated December 22, 1992



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Loan Agreement No. PE-C2, for Financial Sector Adjustment Program, dated December 22, 1992, between THE OVERSEAS ECONOMIC COOPERATION FUND and THE REPUBLIC OF PERU.

In the light of the contents of the Exchange of Notes between the Government of Japan and the Government of the Republic of Peru dated November 24, 1992, concerning a Japanese loan to be extended with a view to strengthening the friendly relations and economic cooperation between the two countries, THE OVERSEAS ECONOMIC COOPERATION FUND (hereinafter referred to as "the Fund") and THE REPUBLIC OF PERU (hereinafter referred to as "the Borrower") herewith conclude the following Loan Agreement (hereinafter referred to as "the Loan Agreement", which includes all agreements supplemental hereto).

## Article I

### Loan

#### Section 1. Amount and Purpose of Loan

The Fund agrees to lend the Borrower an amount not exceeding TWELVE BILLION SIX HUNDRED AND NINETY MILLION Japanese Yen (¥12,690,000,000.) as principal to support the Financial Sector Adjustment Program (hereinafter referred to as "the Program") in the form of cofinancing with the Financial Sector Adjustment Loan extended by the Inter-American Development Bank (hereinafter referred to as "IDB"), on the terms and conditions set forth in the Loan Agreement and in accordance with the relevant laws and regulations of Japan (hereinafter referred to as "the Loan"), provided, however, that when the cumulative total of disbursements under the Loan Agreement reaches the said limit, the Fund shall make no further disbursement.

Section 2.



## Section 2. Use of Proceeds of Loan

(1) The Borrower shall use the proceeds of the Loan for the purchase of eligible goods and services incidental thereto required during the execution of the Program by the purchasers in the Republic of Peru (hereinafter referred to as "the Purchaser(s)") from suppliers (hereinafter referred to as "the Supplier(s)") of the eligible source countries described in Section 2. Schedule 3 attached hereto (hereinafter referred to as "the Eligible Source Country(ies)") in accordance with the provisions described in Schedule 1 attached hereto.

(2) The Borrower shall deposit the equivalent in Nuevo Sol of the amount of Japanese Yen disbursed by the Fund (hereinafter referred to as "the Counterpart Fund") in the Counterpart Fund Account to be opened in the name of the Borrower in Banco de la Nacion (hereinafter referred to as "BDN"). The Borrower shall utilize it for the purpose of implementing the economic and social development projects of the Government of the Republic of Peru.

(3) The Fund shall disburse the proceeds of the Loan to the Borrower in three Tranches in the following manner:

a) The First Tranche of SIX BILLION THREE HUNDRED FORTY FIVE MILLION Japanese Yen (¥6,345,000,000) to be disbursed on or after the Effective Date of the Loan Agreement, and on or after compliance by the Borrower of the conditions set forth in Clause 4.02 of the Loan Contract No.677/OC-PE between IDB and the Borrower, dated september 24, 1992 (hereinafter referred to as "the IDB Loan Contract").

b) The Second Tranche of THREE BILLION ONE HUNDRED SEVENTY TWO MILLION FIVE HUNDRED THOUSAND Japanese Yen (¥3,172,500,000) to be disbursed on or after compliance by the Borrower of the conditions set forth in clause 4.03 of the IDB Loan Contract.

c) The Third Tranche of THREE BILLION ONE HUNDRED SEVENTY TWO MILLION FIVE HUNDRED THOUSAND Japanese Yen (¥3,172,500,000) to be disbursed on or after compliance by the Borrower of the conditions set forth in clause 4.04 of the IDB Loan Contract.

Note:



Note: Tranche means a portion of the Loan to be made available by the Fund to the Borrower.

(4) The final disbursement under the Loan Agreement shall be made not later than the same day and month two years after the effective date of the Loan Agreement, and no further disbursement shall be made by the fund thereafter, unless otherwise agreed upon between the fund and the Borrower.

## Article II

### Repayment and Interest

#### Section 1. Repayment of Principal

The Borrower shall repay the principal of the Loan to the Fund in accordance with the Amortization Schedule set forth in Schedule 2 attached hereto.

#### Section 2. Interest and Method of Payment thereof

(1) The Borrower shall pay interest to the Fund semi-annually at the rate of three percent (3.0%) per annum on the principal disbursed and outstanding.

(2) The Borrower shall pay to the Fund on December 20 of each year the interest that has accrued up to December 19 from June 20 of that year, and on June 20 of each year the interest that has accrued up to June 19 of that year from December 20 of the preceding year, provided that, prior to the date of the final disbursement of the proceeds of the Loan, the Borrower shall pay to the Fund on January 20 of each year the interest that has accrued up to December 19 from June 20 of the preceding year, and on July 20 of each year the interest that has accrued up to June 19 of that year from December 20 of the preceding year.

Article III



## Article III

### Particular Covenants

#### Section 1. General Terms and Conditions

Other terms and conditions generally applicable to the Loan Agreement shall be set forth in the Fund's General Terms and Conditions, dated November, 1987 (hereinafter referred to as "the General Terms and Conditions"), with the following supplemental stipulations:

- (1) The term "the Project" referred to in the General Terms and Conditions shall mean "the Program".
- (2) The following (d) and (e) shall be added to Section 6.01. of the General Terms and Conditions:
  - (d) An event which shall make it improbable that the Program, or, significant part thereof, will be carried out.
  - (e) An event that IDB shall, under the provision of the IDB Loan Contract for the Program, have suspended or cancelled or terminated the right of the Borrower to withdraw the proceeds of the loan and/or have declared all principal then outstanding, with interest and other charges thereon, to be due and payable prior to the agreed maturity of the loan.
- (3) Article VII of the General Terms and Conditions shall be disregarded, and, consequently, all references to "the Guarantee" or "the Guarantor", wherever mentioned in the General Terms and Conditions, shall be likewise disregarded.

Section 2.



## Section 2. Procurement Procedure

The guidelines for procurement mentioned in Section 4.01. of the General Terms and Conditions shall be as stipulated in Procurement Procedure attached hereto as Schedule 3.

## Section 3. Disbursement Procedure

(1) The disbursement procedure mentioned in Section 5.01. of the General Terms and Conditions shall be as stipulated in Reimbursement Procedure attached hereto as Schedule 4.

(2) The Fund shall designate The Bank of Tokyo, Ltd. (hereinafter referred to as "BOT") as its agent and authorize it to act on behalf of the Fund with respect to some of the disbursement procedure under the Loan Agreement. BOT on behalf of the Fund may make inquiries to the Borrower or its agent should there be any question concerning the eligibility of any procurement.

(3) The Borrower shall authorize BDN to act on behalf of the Borrower with respect to disbursement procedure under the Loan Agreement.

(4) The Borrower shall furnish the Fund with evidence of authority for the person(s) of BDN together with specimen signature(s) with regard to paragraph (3) above.

Section 4.



#### Section 4. Administration of Loan

- (1) The Borrower shall and the Fund shall from time to time, at request of either party, exchange views on the progress achieved in carrying out the Program.
- (2) Prior to each such exchange of views, the Borrower shall furnish to the Fund, for its review and comment, a report on the progress of the Program as the Fund may reasonably request.
- (3) The Borrower shall furnish to the Fund reports on the use of the proceeds of the Counterpart fund described in Schedule 5 attached hereto.
- (4) The Borrower shall:
  - (a) maintain or cause to be maintained records and account adequate to reflect, in accordance with consistently maintained sound accounting practices, the expenditures financed out of the proceeds of the Loan;
  - (b) have the records and accounts referred to in paragraph (a) of this Sub-Section for each fiscal year audited, in accordance with appropriate auditing principles; consistently applied, by independent auditors accepted by IDB under the IDB Loan Contract;
  - (c) furnish to the Fund as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Fund may reasonably request;
  - (d) furnish to the Fund such other information concerning said records and accounts and the audit thereof as the Fund shall from time to time reasonably request;

(e) retain,



- (e) retain, until at least three years after completion of disbursement under the Loan, all records evidencing such expenditures;
  - (f) enable the Fund's representatives to examine such records; and
  - (g) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Sub-Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related disbursements.
- (5). Promptly, but in any event not later than six months after the completion of the Program, the Borrower shall furnish to the Fund a completion report in such form and in such detail as the Fund may reasonably request.

#### Section 5. Notices and Requests

The following addresses are specified for the purpose of Section 9.03. of the General Terms and Conditions:

For the Fund

Postal Address:

THE OVERSEAS ECONOMIC COOPERATION FUND  
Takebashi Godo Building, 4-1, Ohtemachi 1-chome  
Chiyoda-ku, Tokyo 100, Japan

Attention: Managing Director, Loan Department III

Cable address:



Cable Address: COOPERATIONFUND

Tokyo

Telex: (1) Call No. J28360

Answer Back Code: COOPFUND J28360

(2) Call No. J28790

Answer Back Code: COOPFUND J28790

For the Borrower

Postal Address:

MINISTRY OF ECONOMY AND FINANCE

Jiron Junin No.319

Lima, Peru

Attention: Minister of Economy and Finance

Cable Address: MINDEF, Lima

For the BDN

Postal Address:

BANCO DE LA NACION

Avenida Nicolas de Pierola No. 1065

Lima-1, Peru

Attention: Gerente de Departamento de Negocios  
Internacionales

Telex: (1) Call No. 20003

Answer Back Code: 20003 NACBNK

(2) Call No. 20208

Answer Back Code: 20208 NACBNK

For the BOT



For the BOT

Postal Address:

THE BANK OF TOKYO  
Global Service Banking Division  
Business Department of Economic Cooperation,  
P.O.Box 8, Nihonbashi, Tokyo 103-91, Japan  
Attention: Manager, TCICOTK

Cable Address: TOHBANK

Telex: Call No. J22220, J22221, J22351  
Answer Back Code: TOHBANK A-C

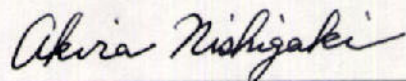
If the above addresses and/or names are changed, the party concerned shall immediately notify the other party hereto in writing of the new addresses and/or names.

IN WITNESS



IN WITNESS WHEREOF, the Fund and the Borrower, acting through their duly authorized representatives, have caused the Loan Agreement to be duly executed in their respective names and delivered at the office of THE OVERSEAS ECONOMIC COOPERATION FUND, Chiyoda-ku, Tokyo, Japan, as of the day and year first above written.

For  
THE OVERSEAS ECONOMIC  
COOPERATION FUND



Akira Nishigaki  
President,  
Chairman of the Board

For  
THE REPUBLIC OF PERU



Victor Aritomi Shinto  
Ambassador Extraordinary and  
Plenipotentiary to Japan



Schedule 1

Use of Proceeds of Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be disbursed for expenditures made and/or to be made for purchases of goods and services at reasonable cost required during the execution of the Program and to be financed out of such proceeds.

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

(a) expenditures for goods included in the following SITC\* groups or sub-groups, or any successor groups or sub-groups under future revision to the SITC, as designated by IDB by notice to the Borrower:

<u>Group</u>	<u>Sub-group</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked

\* Note: "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986)

Group



<u>Group</u>	<u>Sub-group</u>	<u>Description of Items</u>
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) expenditures for goods procured under contracts costing less than US\$5,000 equivalent;

(d) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Fund shall have financed or agreed to finance;

(e) expenditures for commodities intended for a military or paramilitary purpose or for luxury consumption; and

(f) payments made for expenditures prior to September 24, 1991.

3. No disbursement



3. No disbursement of the First Tranche of the Loan shall be made in respect of expenditures to be financed out of the proceeds of the Loan, unless the Fund shall be satisfied, based upon evidence that IDB has authorized the release of the first tranche of the IDB Loan pursuant to Clauses 4.02. of the IDB Loan Contract: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in the above-mentioned Clauses have been taken.

4. No disbursement of the Second Tranche of the Loan shall be made in respect of expenditures to be financed out of the proceeds of the Loan, unless the Fund shall be satisfied, based upon evidence that IDB has authorized the release of the second tranche of the IDB Loan pursuant to Clauses 4.03. of the IDB Loan Contract: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in the above-mentioned Clauses have been taken.

5. No disbursement of the Third Tranche of the Loan shall be made in respect of expenditures to be financed out of the proceeds of the Loan, unless the Fund shall be satisfied, based upon evidence that IDB has authorized the release of the third tranche of the IDB Loan pursuant to Clauses 4.04. of the IDB Loan Contract: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in the above-mentioned Clauses have been taken.



Schedule 2

Amortization Schedule

Due Date	Amount (in Japanese Yen)
On December 20, 2002	309,520,000
On each June 20 and December 20 beginning June 20, 2003 through December 20, 2022	309,512,000



Schedule 3

Procurement Procedure

Section 1. Guidelines to be used for procurement under the Loan

Procurement of all goods and services to be financed out of the Proceeds of the Loan shall be in accordance with Guidelines for Procurement under OECF Loans dated November 1987, (hereinafter referred to as "the Procurement Guidelines") with supplemental stipulations described in section 3. of this Schedule.

Section 2. Eligible Source Countries

The eligible source countries under the Loan are all countries and areas except the Republic of Peru.

Section 3. Supplemental stipulations to the Procurement Guidelines

(1) The following (iv) shall be substituted for Section 1.03. (a) (iv) of the Procurement Guidelines:

(iv) When the amount of contract does not exceed US\$5,000,000 or its equivalent.

(2) The following (vi) and (vii) shall be added to Section 1.03. (a) of the Procurement guidelines:

(vi) When petroleum and/or petroleum products are procured.  
(vii) when the Purchaser is neither the government nor a governmental agency.

(3) The following



(3) The following shall be substituted for Section 4.09. of the Procurement Guidelines:

"Bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(4) The following shall be substituted for section 4.11. of the Procurement Guidelines:

"The contract price should be stated in the currency in which the bid price is stated in the bid of the successful bidder."

#### Section 4. Conditions of contract

Any contract to be financed out of the proceeds of the Loan shall fulfill the following conditions:

(1) Supplier

The supplier shall be a national of the Eligible Source Countries, or a juridical person incorporated and registered in the Eligible Source Countries, and who has appropriate facilities for producing or providing the goods and services in the Eligible Source Countries and actually conducts its business there.



## Schedule 4

### Reimbursement Procedure

Reimbursement Procedure dated September 1988 shall mutatis mutandis apply in case of disbursements of the proceeds of the Loan for the payments made or to be made to the purchase of eligible goods and services on and after September 24, 1991, with the following supplemental stipulations:

1. The authorized foreign exchange bank in Tokyo wherever mentioned in this Schedule, including Reimbursement Procedure, shall be BOT.
2. The authorized foreign exchange bank in the territories of the Borrower mentioned in Reimbursement Procedure, shall be BDN.
3. The Borrower shall, by sending a Request for Reimbursement in accordance with the attached Form OECF-RFR of Reimbursement Procedure to the Fund, request the Fund to make disbursement in Japanese Yen. Request for Reimbursement shall be accompanied by STATEMENT OF EXPENDITURES as per Form OECF-STE attached herewith. Consequently, Form OECF-SSP mentioned in Section 1. (a) of Reimbursement Procedure shall be replaced by Form OECF-STE, and Section 1. (b) of Reimbursement Procedure shall be disregarded.
4. (a) The Borrower shall pay to the Fund in Japanese Yen an amount equal to one-tenth percent (0.1%) of the amount of the disbursement for the Borrower as the service charge thereof on the date of such disbursement. The Fund's disbursement under this procedure shall be made upon receipt of the service charge from the Borrower.

(b) An amount



(b) An amount equal to such service charge shall be financed out of the proceeds of the Loan, and the Fund shall immediately pay such amount to itself as the service charge on the date of the disbursement for the Borrower. Such disbursement out of the Proceeds of the Loan shall constitute a valid and binding obligation upon the Borrower under the terms and conditions of the Loan Agreement.

5. The amount in each Request for Reimbursement shall be expressed in a single currency which is Japanese Yen or United States Dollars.



## STATEMENT OF EXPENDITURES

Date:

Page No:

1. Transaction	2. Origin	3. Supplier	4. Purchaser	5. Sector (Public/ Private)	6. Poliza Number	7. NABANDINA CODE	8. Description of Goods	9. Currency	10. * Merchandise Admission Date	11. ** Amount of Payment	12. Nationality of Supplier
1.											
2.											
3.											
4.											
.											
.											
Total											

The undersigned certifies that the amount hereby sought to be reimbursed was actually paid to the Supplier(s) on and after September 24, 1991, and the Supplier(s) and goods/or services stated above are eligible under the Loan Agreement.

\* Note for 10. The date given by the Peruvian Customs to the "Poliza", item 24 in the documents.

\*\* Note for 11. Total Amount of eligible goods of each "Poliza" expressed in US dollars.

\_\_\_\_\_  
Authorized signature



Schedule 5

Counterpart Fund Account

Section 1.

BDN shall, as soon as possible after receiving the Notice of Disbursement, deposit Nuevo sol equivalent to the amount of Japanese Yen disbursed by the Fund into the Counterpart Fund Account to be opened in the name of the Borrower in BDN.

Section 2.

The Counterpart Fund thus deposited into the Counterpart Fund Account shall be used to cover local currency requirements of economic and social development projects of the Government of the Republic of Peru.

Section 3.

The Borrower shall furnish the Fund with reports on the progress of the Counterpart Fund semiannually in accordance with Form OECF-CF attached herewith.