

AGREEMENT ON DEBT-FOR-DEVELOPMENT SWAP

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF PERU

AND

THE GOVERNMENT OF THE ITALIAN REPUBLIC

The Government of the Republic of Peru and the Government of the Italian Republic, hereinafter referred to as the "Parties", with a view of promoting their bilateral co-operation and relieving Peruvian debt burden, in the framework of the efforts of the international community to promote poverty reduction and sustainable development in the Andean Region, taking into account also the conclusions of the G8 summit in Genoa, have agreed to the following:

Article 1

1.1. This Agreement relates to debt-for-development swap operations of Official Development Assistance (ODA) bilateral debt and establishes procedures for the implementation of swap operations on the ODA bilateral debt owed by the Government of the Republic of Peru to the Government of the Italian Republic.

1.2. The maximum amount of debt subject to swap operations under this Agreement is the sum of the principal and interest due between the entry into force of the present Agreement and 31 December 2006 on the loans listed in Annex 1, which forms an integral part of this Agreement.

1.3. Any other current and future debt owed by the Government of the Republic of Peru to the Government of the Italian Republic remains unaffected by this Agreement.

Article 2

2.1. For the purpose of this Agreement, a Counterpart Fund (hereinafter denominated CF) in Peruvian Sol shall be established upon



entry into force of this Agreement, whose financial endorsement shall be at one of the major private international banks operating in Peru agreed upon by the two Parties through exchange of verbal Notes.

2.2. The Government of the Republic of Peru shall deposit into the CF the equivalent of each instalment (principal and interest) due in the period indicated in the article 1.2. above at its maturity date. Starting from one year after the entry into force of this Agreement, the outstanding amount of the CF shall not exceed the total amount of projects selected by the Management Committee as per article 4

2.3. The Government of the Republic of Peru will extinguish the instalments due to the Government of the Italian Republic upon evidence of the disbursement of the same amount into the CF.

2.4. Should the amount of disbursements into the CF be lower than the instalments due, said instalments will be only partially converted. The residual amount of the instalments, which corresponds to the difference between the original amount due and the disbursements to the CF Fund, shall be due by the Government of the Republic of Peru to the Government of the Italian Republic according to the provisions of the relevant Financial Agreement.

2.5. Instalments in Italian Lira shall be converted at the exchange rate quoted by the Superintendencia de Banca y Seguros del Perú on the working day before the maturity date of each instalment.

2.6 The two Parties shall take all the appropriate measures to ensure all the proper and effective administration of the Fund and to verify its correct management, including the use of an International audit company.

2.7. In case of severe mismanagement of the Funds, the Parties reserve the right to terminate this Agreement.

Article 3

3.1. Funds resulting from debt-swap operations collected in the CF, including accrued interests if any, shall be used to finance jointly agreed development projects. To this effect, signatures of a



representative of each Party shall be required for payments against the CF funds. An amount of maximum 2% of the CF will be allocated to assist the beneficiaries on project formulation and monitoring.

3.2. Such projects shall aim, within a framework of poverty alleviation, at promoting socio-economic development and/or environmental protection and shall be identified in compliance with the principles and guidelines agreed upon by both Parties within the framework of the Peruvian Italian Development Co-operation. Funds collected in the CF may also be used to finance local costs of relevant projects and programs undertaken by the Italian Development Co-operation.

3.3. Priority will be given to projects aimed at poverty alleviation, in a context of verifiable social participation and with an environmentally sustainable resource use. Projects shall be targeted by at least 80% to Provinces, with a poverty rate higher than the national average. Preference will be given to projects located into the areas with the highest poverty rate. Over the five years period, the funds resulting from debt-swap operations collected in the CF shall be assigned equitably, to projects defined at local level and presented by Local Governmental Entities, Non Governmental Organisations, or channelled by relevant U.N. Organisations such as FAO, IFAD and WFP.

3.4. Such projects shall be identified within a framework of a Peru-Italy Fund-Program for Socio-economic Development and Environment Protection in areas with Highest Poverty Rate and, possibly, taking into consideration the initiative of the Government of the Republic of Peru, called the "Mesa de Cooperación Internacional" to be held in Madrid in 2001. To this effect a Technical Document and Criteria for project selection and formulation shall be adopted by a Management Committee assisted by a Technical Committee as per article 4 here below within four months from the entry into force of this Agreement and subsequently approved by the two Parties through exchange of Notes.

3.5. Such project selection shall be terminated within four years from the entering into force of the present Agreement, taking into account the annual schedule of reimbursements. Should funds not be allocated at the end of the fourth year, the Parties will convene urgently at high



level with the view to find a suitable solution, including the acceleration of the allocation of non-allocated funds.

Article 4

4.1. A Management Committee will be established with the following tasks:

- a) to approve the policy and the general lines of the programme;
- b) to approve projects to be financed in accordance with this Agreement;
- c) to verify project achievements.

4.2. The Management Committee shall include a representative of each of the two Parties (on behalf of the Government of the Republic of Peru, the Ministry of Economy and Finance of Peru and H.E. the Ambassador of the Italian Republic in Peru or his delegate and on behalf of the Government of the Italian Republic). A Technical Committee shall assist the Management Committee.

4.3 The Technical Committee will make its recommendations to the Management Committee, which shall then take decisions by consensus. The Technical Committee will operate with the following task:

- a) propose to the Management Committee guidelines for project selection in the framework of the Programme;
- b) propose to the Management Committee eventual changes to the programme;
- c) submit the selected projects to the Management Committee;
- d) promote synergies with other development initiatives.

4.4 The Technical Committee shall comprise one representative of each of these organisations: Ministry of Economy and Finance of Peru, the Executive Secretariat for International Technical Co-operation of Peru



substitution shall be notified by means of a verbal Note), Italian Co-operation for Development (DGCS), a Local Government organisation, two representatives of two organisations of the Peruvian civil society.

Such organisations shall be selected jointly by the Parties, in consultation with different actors of the Peruvian civil society, on a rotation basis. Taking into account the need to reflect equitably the different components of the Peruvian civil society, one of those organisations shall be selected among the indigenous organisations. The first selection shall take place within two months from the entry into force of this Agreement.

4.5. Such committees will operate according to the rules and procedures that will be jointly established by the Parties within three months starting from the entering into force of this Agreement, according to a Programme that will be agreed to by the Parties.

Article 5

5.1. This Agreement shall enter into force upon receipt of the last written notification confirming the fulfilment by the Parties of all their appropriate internal procedures.

5.2. This Agreement shall remain in force for six (6) years. Its extension may be mutually agreed upon in accordance with the article 5.3., in case CF funds allocated to specific projects have not been fully spent by the expiration date.

5.3 In the light of the results of the evaluation of this Agreement, a new 5-year agreement could be established with the view to continue promoting bilateral co-operation.

5.4. The Parties through exchanges of Notes may modify this Agreement, the Annex 1 and the Annex 2.

5.5 Any dispute between the Parties regarding the interpretation or application of the provisions of this Agreement shall be settled through diplomatic channels.



In witness whereof, the undersigned Representatives being duly authorised thereto by their respective Governments have signed the present Agreement.

Done in Lima on the 10th day of October of 2001, in two originals in the English language.

*For the Government of the
Republic of Peru
the Ministry of Foreign Affairs
Diego García-Sayán*

A stylized, handwritten signature in dark ink, likely belonging to Diego García-Sayán.

*For the Government of the
Italian Republic
the Under Secretary of State
for Foreign Affairs
On. Mario Baccini*

A handwritten signature in dark ink, likely belonging to Mario Baccini, written in a cursive style.

ANNEX 1

(PERU - outstanding at the date of October 3, 2001)

CREDIT NO.	- CURRENCY	ORIGINAL GLOBAL AMOUNT	OUTSTANDING IN SUSA (*)	END PERIOD	MATURITY DATE
83/015/00	\$USA	3.000.000,00	765.789,17	23/11/2007	20/03 - 20/09; 23/05 - 23/11; 15/06 - 15/12; 20/06 - 20/12; 20/07 - 20/01
87/026/00	\$USA	5.165.685,00	3.250.503,72	20/07/2007	20/07 - 10/01
88/014/00	LIT	7.800.000.000,00	3.062.253,20	15/06/2009	15/06 - 15/12
88/016/00	ECU	35.308.929,18	26.018.634,93	23/11/2008	23/05 - 23/11
88/049/00	LIT	4.953.220.103,00	2.024.131,44	10/11/2009	10/05 - 10/11
89/006/00	LIT	5.724.180.000,00	2.313.736,92	22/09/2009	22/03 - 22/09
89/014/00	\$USA	34.808.004,58	29.621.607,58	24/04/2009	24/04 - 24/10
89/017/00	\$USA	100.000.000,00	85.100.000,70	21/04/2009	21/04 - 21/10
89/024/00	\$USA	12.504.708,00	10.641.506,50	14/09/2009	14/03 - 14/09
90/005/00	LIT	9.624.000.000,00	4.968.949,21	08/05/2011	08/05 - 08/11
92/007/00	LIT	14.254.841.463,00	7.514.763,20	09/10/2012	09/04 - 09/10
92/023/00	ECU	14.212.337,55	14.501.336,27	07/10/2012	07/04 - 07/10
(*) EXCHANGE RATE AT THE DATE OF 17/09/2001			189.783.212,84		
2001					
		PRINCIPAL	INTERESTS	TOTAL	
83/015/00	\$USA	54.973,07	4.514,34	59.487,41	
87/026/00	\$USA	-	-	-	
88/014/00	\$USA	179.920,87	21.590,50	201.511,37	
88/016/00	\$USA	1.636.391,87	184.094,10	1.820.485,97	
88/049/00	\$USA	111.537,76	14.221,06	125.758,82	
89/006/00	\$USA	-	-	-	
89/014/00	\$USA	1.740.399,89	208.848,00	1.949.247,89	
89/017/00	\$USA	4.999.999,88	600.000,00	5.599.999,88	
89/024/00	\$USA	-	-	-	

90/005/00	\$USA	230.310,51	34.546,58	264.857,08
92/007/00	\$USA	-	51.178,86	51.178,86
92/023/00	\$USA	-	98.760,54	98.760,54
		8.953.533,84	1.217.753,99	10.171.287,83
2002				
		PRINCIPAL	INTERESTS	TOTAL
83/015/00	\$USA	230.769,20	15.395,01	246.164,21
87/026/00	\$USA	516.569,28	44.554,00	561.123,28
88/014/00	\$USA	359.841,74	39.132,79	398.974,53
88/016/00	\$USA	3.272.783,74	331.369,42	3.604.153,16
88/049/00	\$USA	223.075,51	25.932,53	249.008,04
89/006/00	\$USA	271.884,48	31.606,57	303.491,05
89/014/00	\$USA	3.480.799,78	378.537,02	3.859.336,80
89/017/00	\$USA	9.999.999,76	1.087.500,03	11.087.499,79
89/024/00	\$USA	1.250.470,76	145.367,23	1.395.837,99
90/005/00	\$USA	460.621,02	63.911,17	524.532,18
92/007/00	\$USA	-	102.357,73	102.357,73
92/023/00	\$USA	-	197.521,07	197.521,07
		20.066.815,26	2.463.184,57	22.529.999,83
2003				
		PRINCIPAL	INTERESTS	TOTAL
83/015/00	\$USA	204.311,57	9.625,76	213.937,33
87/026/00	\$USA	516.569,28	36.805,44	553.374,72
88/014/00	\$USA	359.841,74	33.735,16	393.576,90
88/016/00	\$USA	3.272.783,74	282.277,63	3.555.061,37
88/049/00	\$USA	223.075,51	22.586,40	245.661,91
89/006/00	\$USA	271.884,48	27.528,30	299.412,78
89/014/00	\$USA	3.480.799,78	326.325,01	3.807.124,79
89/017/00	\$USA	9.999.999,76	937.500,00	10.937.499,76
89/024/00	\$USA	1.250.470,76	126.610,17	1.377.080,93
90/005/00	\$USA	460.621,02	57.001,85	517.622,87
92/007/00	\$USA	682.384,84	99.798,78	782.183,62

92/023/00	\$USA	1.316.806,68	192.583,02	1.509.389,70
		22.039.549,15	2.152.377,54	24.191.926,68
2004				
		PRINCIPAL	INTERESTS	TOTAL
83/015/00	\$USA	133.757,77	4.848,70	138.606,47
87/026/00	\$USA	516.569,28	29.056,92	545.626,20
88/014/00	\$USA	359.841,74	28.337,54	388.179,28
88/016/00	\$USA	3.272.783,74	233.185,86	3.505.969,60
88/049/00	\$USA	223.075,51	19.240,26	242.315,77
89/006/00	\$USA	271.884,48	23.450,04	295.334,51
89/014/00	\$USA	3.480.799,78	274.113,01	3.754.912,79
89/017/00	\$USA	9.999.999,76	787.500,02	10.787.499,78
89/024/00	\$USA	1.250.470,76	107.853,12	1.358.323,88
90/005/00	\$USA	460.621,02	50.092,54	510.713,55
92/007/00	\$USA	682.384,84	89.563,01	771.947,85
92/023/00	\$USA	1.316.806,68	172.830,91	1.489.637,59
		21.968.995,35	1.820.071,93	23.789.067,27
2005				
		PRINCIPAL	INTERESTS	TOTAL
83/015/00	\$USA	66.584,68	2.055,95	68.640,63
87/026/00	\$USA	516.569,28	21.308,36	537.877,64
88/014/00	\$USA	359.841,74	22.939,91	382.781,65
88/016/00	\$USA	3.272.783,74	184.094,15	3.456.877,89
88/049/00	\$USA	223.075,51	15.894,13	238.969,64
89/006/00	\$USA	271.884,48	19.371,77	291.256,25
89/014/00	\$USA	3.480.799,78	221.901,02	3.702.700,80
89/017/00	\$USA	9.999.999,76	637.500,10	10.637.499,86
89/024/00	\$USA	1.250.470,76	89.096,04	1.339.566,80
90/005/00	\$USA	460.621,02	43.183,22	503.804,24
92/007/00	\$USA	682.384,84	79.327,24	761.712,08
92/023/00	\$USA	1.316.806,68	153.078,82	1.469.885,50
		21.901.822,26	1.489.750,71	23.391.572,97

2006		PRINCIPAL	INTERESTS	TOTAL	
83/015/00	\$USA	27.192,42	679,80	27.872,22	
87/026/00	\$USA	516.569,28	13.559,84	530.129,12	
88/014/00	\$USA	359.841,74	17.542,28	377.384,02	
88/016/00	\$USA	3.272.783,74	135.002,39	3.407.786,13	
88/049/00	\$USA	223.075,51	12.548,00	235.623,51	
89/006/00	\$USA	271.884,48	15.293,50	287.177,98	
89/014/00	\$USA	3.480.799,78	169.688,98	3.650.488,76	
89/017/00	\$USA	9.999.999,76	487.499,99	10.487.499,75	
89/024/00	\$USA	1.250.470,76	70.338,97	1.320.809,73	
90/005/00	\$USA	460.621,02	36.273,91	496.894,92	
92/007/00	\$USA	682.384,84	69.091,47	751.476,30	
92/023/00	\$USA	1.316.806,68	133.326,71	1.450.133,39	
		21.862.430,00	1.160.845,84	23.023.275,84	
TOTAL AMOUNT YEARS 2001-2006					
		PRINCIPAL	INTERESTS	TOTAL	
83/015/00	\$USA	717.588,71	37.119,56	754.708,27	
87/026/00	\$USA	2.582.846,40	145.284,56	2.728.130,96	
88/014/00	\$USA	1.979.129,56	163.278,19	2.142.407,75	
88/016/00	\$USA	18.000.310,57	1.350.023,56	19.350.334,12	
88/049/00	\$USA	1.226.915,31	110.422,38	1.337.337,69	
89/006/00	\$USA	1.359.422,39	117.250,18	1.476.672,57	
89/014/00	\$USA	19.144.398,79	1.579.413,04	20.723.811,83	
89/017/00	\$USA	54.999.998,68	4.537.500,14	59.537.498,82	
89/024/00	\$USA	6.252.353,80	539.265,53	6.791.619,33	
90/005/00	\$USA	2.533.415,59	285.009,26	2.818.424,84	
92/007/00	\$USA	2.729.539,35	491.317,10	3.220.856,45	
92/023/00	\$USA	5.267.226,71	948.101,09	6.215.327,79	
		116.793.145,85	10.303.984,58	127.097.130,43	

ANNEX 2

In order to provide technical assistance to the management of the Fund, the DGCS shall cover with its own funds, up to a maximum of USD 400.000 per year, the costs of the Italian expert sitting in the Technical Committee and of other experts assisting the Technical Committee in evaluating and monitoring the projects.

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