
LOAN NUMBER 1196 PE

Loan Agreement

(Lima-Amazon Transport Corridor Project)

BETWEEN

REPUBLIC OF PERU

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED *May 27*, 1976

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DATED *May 27*, 1976

LOAN AGREEMENT

AGREEMENT, dated *May 27*, 1976, between REPUBLIC OF PERU (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) The Project will be carried out by the Borrower through its *Ministerio de Transportes y Comunicaciones*;

(C) The port facilities to be constructed in accordance with Parts D and E of the Project will be maintained and operated by ENAPU; and

(D) The Bank is willing to make the Loan on the terms and conditions set forth hereinafter and in a project agreement of even date herewith between the Bank and ENAPU;

NOW THEREFORE the parties hereto hereby agree as follows:

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 March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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 following additional terms have the following meanings:

(a) "ENAPU" means *Empresa Nacional de Puertos*, or any successor thereto;

(b) "Project Agreement" means the agreement between the Bank and ENAPU of even date herewith, as the same may be amended from time to time by agreement between the Bank and ENAPU, with the concurrence of the Borrower;

(c) "Basic Laws" means *Decreto Ley* No. 18027 of December 16, 1969 (*Ley de Organización y Funciones de la Empresa Nacional de Puertos*) and *Decreto Supremo* No. 023-70-T.C. of September 30, 1970 (*Estatuto de la Empresa Nacional de Puertos*), both of the Borrower, establishing and organizing ENAPU, as amended from time to time;

(d) "UNDP" means the United Nations Development Programme; and

(e) "SIMA" means *Servicio Industrial de la Marina*, or any successor thereto.

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 seventy-six million five hundred thousand dollars (\$76,500,000).

Section 2.02. (a) 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 may 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 and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) On or before each of the semi-annual interest payment dates specified in Section 2.07 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated, in Schedule 1 to this Agreement, as such schedule may be amended from time to time.

Section 2.03. Except as the Bank shall otherwise agree, the goods, works and services (other than consultants' services) for the Project to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1980 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and one-half per cent ($8-1/2\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out the Project through its *Ministerio de Transportes y Comunicaciones* with due diligence and efficiency and in conformity with appropriate engineering, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. The Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank: (i) to assist the Borrower in the procurement of goods, works and services, supervision of construction, improvement and installation works, included in Parts A, B, C, D, F and G of the Project; (ii) to assist the Borrower in the preparation and execution of the programs referred to in Sections 4.04(a)(iii) and 4.05 of this Agreement; and (iii) to carry out the studies referred to in Parts H, I, J, K and L of the Project; unless in respect of any one of said tasks the Bank shall agree that no consultants' services shall be required therefor.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the

proceeds of the Loan against 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.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.04. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, 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 accredited representatives to visit the facilities and construction sites included in the Project and to examine 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 3.05. The Borrower shall take all such action as shall be necessary to acquire, as and when needed, all such land and rights in respect of land as shall be required for carrying out the Project.

Section 3.06. The Borrower shall, promptly after the completion of Parts D, E and F of the Project, transfer to ENAPU, on terms and conditions satisfactory to the Bank, the properties, facilities and equipment included in such Parts.

Section 3.07. Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause ENAPU to perform, in accordance with the provisions of the Project Agreement, all the obligations set forth therein, shall take and cause to be taken all action necessary or appropriate to enable ENAPU to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, *ipso facto* and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing 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.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. The Borrower shall take all action, including the granting of all necessary authorizations, foreign exchange permits and other approvals required, to ensure the timely procurement of the goods and services required for the Project.

Section 4.03. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of

the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.04. (a) The Borrower shall: (i) continue the implementation of adequate maintenance programs of the Borrower's roads, including the necessary repairs thereof, all in accordance with appropriate engineering practices; (ii) continue the implementation of adequate maintenance programs of the Borrower's road maintenance equipment and workshops, including all necessary repairs and renewals thereof, all in accordance with appropriate engineering practices; (iii) without limiting the generality of the foregoing, initiate, within nine months from the Effective Date, or such other date as shall be agreed with the Bank, the procurement of the equipment necessary to carry out the special nationwide road maintenance program prepared by the Borrower to the satisfaction of the Bank, on the basis of the findings and recommendations of the study referred to in Part C of Schedule 3 (Description of the Project) to the Loan Agreement (Road Reconstruction Project), dated September 14, 1970, between the Borrower and the Bank; (iv) as part of the nationwide road maintenance program referred to in (iii) hereof, carry out, to the satisfaction of the Bank, maintenance works on the road between Lima and Pucallpa; and (v) provide, promptly as needed, the funds, facilities, services and other resources required for the carrying out of the road maintenance referred to in this Section.

(b) Without limiting the generality of the provisions in paragraph (a) hereof, the Borrower shall take all necessary action to: (i) cause the dimensions and weight of the vehicles using the roads of the Borrower to be kept within the limits provided by the laws and regulations of the Borrower; and (ii) ensure consistent enforcement of the Borrower's laws and regulations governing *inter alia* the dimensions and weight of vehicles.

(c) 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 road network of the Borrower.

Section 4.05. The Borrower shall, by June 30, 1976, or such other date as shall be agreed with the Bank: (i) prepare, on the basis of the recommendations of the study in Part L of the Project, a plan of action, satisfactory to the Bank, to revise its existing practices regarding the rental of maintenance equipment; and (ii) carry out promptly thereafter such plan of action.

Section 4.06. The Borrower shall initiate, within six months from the Effective Date, or such other date as shall be agreed with the Bank, and carry

out thereafter, a program satisfactory to the Bank, for the collection and processing of hydrological data in the Amazon river system in Peru.

Section 4.07. (a) The Borrower shall: (i) by June 30, 1976, or such other date as shall be agreed with the Bank, prepare a study to determine the ways and means to increase the participation of ENAPU in the planning, design and execution of all future works in the ports of the Borrower; (ii) afford the Bank a reasonable opportunity to exchange views on the conclusions of such study; and (iii) carry out a plan of action prepared on the basis of such conclusions.

(b) The Borrower shall: (i) by December 31, 1976, or such other date as shall be agreed with the Bank, carry out a study to determine appropriate financial policies for ENAPU including, *inter alia*, payment of dividends to the Borrower, use of present concession fees from private ports and assumption and servicing of all debts contracted by the Borrower for port construction; (ii) afford the Bank a reasonable opportunity to exchange views on the terms of reference and the conclusions of such study; and (iii) where appropriate, make such changes in the financial policies for ENAPU as are recommended in such conclusions.

Section 4.08. For the carrying out of Part M of the Project, the Borrower shall, by April 1, 1976, or such later date as shall be agreed with the Bank: (a) appoint, within its *Ministerio de Transportes y Comunicaciones*, a project coordinator whose duties and responsibilities shall be satisfactory to the Bank: (i) to coordinate and integrate all Project activities within such *Ministerio* and with any other of the Borrower's ministries, authorities and agencies, and with the Bank, and to assist the Borrower in the carrying out of the Project; and (ii) to perform the functions described in (i) hereof also with respect to the sixth road project in Peru described in the loan agreement, dated July 1, 1974, between the Borrower and the Bank;

(b) provide such project coordinator, promptly as needed, with such supporting staff and facilities as shall be required for the efficient discharge of his duties; and

(c) cause such project coordinator to prepare and furnish to the Bank through the *Ministerio de Transportes y Comunicaciones* of the Borrower, within twelve months from his appointment, or such later date as shall be agreed with the Bank, a report containing an evaluation of the position of project coordinator and of the need of such position for the efficient carrying out of the Project.

ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

(a) ENAPU shall have failed to perform any covenant, agreement or obligation of ENAPU under the Project Agreement;

(b) an extraordinary situation shall have arisen which shall make it improbable that ENAPU will be able to perform any of its obligations under the Project Agreement;

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ENAPU or for the suspension of its operations; and

(d) the Basic Laws of ENAPU or any provision thereof shall have been amended, suspended or abrogated so as to affect adversely the performance by ENAPU of its obligations under the Project Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified, namely, any of the events specified in paragraphs (a), (c) and (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, that the execution and delivery of the Project Agreement on behalf of ENAPU have been duly authorized or ratified by all necessary corporate and governmental action.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project

Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ENAPU, and is legally binding upon ENAPU in accordance with its terms.

Section 6.03. The date *August 30, 1976*, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Either the *Ministro de Economía y Finanzas* of the Borrower or the *Director General de Crédito Público* of the *Ministerio de Economía y Finanzas* of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Economía y Finanzas
Avenida Abancay 5a Cuadra
Lima, Perú

Cable address:

MINDEF
Lima, Perú

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 in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PERU

15/ Carlos Gaviria Bedonza

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

15/ Adalberto Krieger

By

Regional Vice President
Latin America and the Caribbean

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 expenditures for items 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> |
|--|--|---|
| (1) Civil works | 35,100,000 | 48% |
| (2) Road maintenance equipment and workshop installations | 4,000,000 | 100% of foreign expenditures or 100% of the ex-factory cost of locally produced goods |
| (3) Cargo-handling and dredging equipment | 4,200,000 | 100% of foreign expenditures or 100% of the ex-factory cost of locally produced goods |
| (4) Hydrological craft and equipment | 500,000 | 100% of foreign expenditures or 100% of the ex-factory cost of locally produced goods |
| (5) Consulting services | 5,400,000 | 57% |
| (6) Interest and other charges on the Loan accrued on or before March 31, 1980 | 7,100,000 | Amount due |
| (7) Unallocated | 20,200,000 | |
| | <hr/> | |
| TOTAL | 76,500,000 | |
| | <hr/> <hr/> | |

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures for goods or services supplied from, the territory, and in the currency, of any country other than the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if any event occurs which shall affect the amount of any such taxes included in the cost of any item to be financed out of the proceeds of the Loan, the Bank may, by notice to the Borrower, correspondingly adjust the disbursement percentage then applicable to such item.

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

(a) expenditures prior to the date of this Agreement, except that withdrawals may be made in respect of (i) Category 1 on account of expenditures incurred after December 1, 1974 for civil works under Part E of the Project in an aggregate amount not exceeding the equivalent of \$1,400,000; and (ii) Category 5 on account of expenditures incurred after July 1, 1974 for services under Parts H and I of the Project in an aggregate amount not exceeding the equivalent of \$340,000; and

(b) expenditures incurred in the construction and improvement of the Aguaytía-Neshuya road referred to in Part A(3) of the Project until the date upon which the Bank dispatches to the Borrower notice that such construction and improvement are technically and economically feasible on the basis of studies submitted by the Borrower.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project is the continuation of the construction of an east-west transport corridor in Perú which will contribute to the socio-economic development of its area of influence by linking the metropolitan area of Lima-Callao with the Amazon region.

The Project consists of:

Part A: Construction and improvement of the following four sections of the road between Lima and Pucallpa, about 395 kilometers long, with design standards specified in the Annex A to this Schedule:

| <i>Roads</i> | <i>Approximate Length in Kms.</i> |
|---|---------------------------------------|
| 1. San Mateo-Morococha | 39 |
| 2. La Oroya-Huánuco | 241 |
| 3. Aguaytía-Neshuya | 106 |
| 4. Access road to Pucallpa and its port, including some streets of Pucallpa | 9 |

Part B: Improvement of the following feeder roads, with an aggregate length of about 110 kilometers, in accordance with general design standards specified in Annex B to this Schedule:

| <i>Roads</i> | <i>Approximate Length in Kms.</i> |
|--------------------------|---------------------------------------|
| 1. Tambo del Sol-Huachón | 90 |
| 2. Huánuco-Churubamba | 20 |

Part C: Acquisition and utilization of road maintenance equipment and workshop installations.

Part D: Construction of port facilities for the river ports of Pucallpa and Yurimaguas.

Part E: Expansion of port facilities for the river port of Iquitos.

- Part F:* Acquisition, installation and utilization of cargo-handling and dredging equipment for the ports in Parts D and E above.
- Part G:* Acquisition and utilization of hydrological craft and acquisition, installation and utilization of equipment for the collection of hydrological data in the Amazon river system in Perú.
- Part H:* Feasibility and, if acceptable to the Bank, detailed engineering studies for about 115 kilometers of the road sections included in Part A above.
- Part I:* Updating of economic and financial evaluation studies for the ports in Parts D and E above.
- Part J:* Feasibility studies: (i) to define a long-term transport investment strategy for the coastal corridor (including the Pan-American Highway) between the city of Nazca and the border with Ecuador; (ii) to evaluate a road connecting the port of Huacho with the central mining region around Ambo; and (iii) to evaluate a number of regional airports mainly in the area adjacent to the Lima-Amazon transport corridor.
- Part K:* Integrated regional study of areas with high economic potential in the *Selva Central* to define investments in roads and other economic and social sectors required for an adequate development of such areas, and detailed engineering of such roads therein as shall be determined by agreement between the Borrower and the Bank.
- Part L:* Expansion of the present technical assistance services for road maintenance to carry out a study to define the ways of improving existing practices of the Borrower regarding the rental of road maintenance equipment.
- Part M:* Establishment and operation of a unit in the *Ministerio de Transportes y Comunicaciones* of the Borrower for the coordination and integration of all Project activities.

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The Project is expected to be completed by June 30, 1980.

ANNEX A to SCHEDULE 2

Design Standards for the
Lima-Pucallpa Road

| <i>Design Elements</i> | <i>Unit</i> | <i>Type of Terrain</i> | | |
|---------------------------------|-------------|------------------------|----------------|-------------|
| | | <i>Mountainous</i> | <i>Rolling</i> | <i>Flat</i> |
| Design Speed* | km/h | 60 | 80 | 100 |
| Maximum grade | % | 8 | 6 | 4 |
| Minimum radius of curvature* | m | 60 | 150 | 300 |
| Platform width* | m | 8.40 | 8.40 | 8.40 |
| Pavement width | m | 6.00 | 6.00 | 6.00 |
| Shoulder width* | m | 1.20 | 1.20 | 1.20 |

* Reduced in special cases

ANNEX B to SCHEDULE 2**General Design Standards
for Feeder Roads**

Construction of feeder roads will normally consist of construction or improvement of bridges and culverts necessary to provide a platform width of 6 m. with a gravel surface of 4 m. Substantial modifications to existing alignments will not be included unless required in connection with improvement of bridges and culverts or because of safety considerations. Bridges and culverts will be designed for single lane traffic and to take up to 8-ton axle loads.

SCHEDULE 3

Amortization Schedule

| <i>Date Payment Due</i> | <i>Payment of Principal (expressed in dollars)*</i> |
|-------------------------|---|
| October 1, 1980 | 755,000 |
| April 1, 1981 | 790,000 |
| October 1, 1981 | 825,000 |
| April 1, 1982 | 860,000 |
| October 1, 1982 | 895,000 |
| April 1, 1983 | 935,000 |
| October 1, 1983 | 975,000 |
| April 1, 1984 | 1,015,000 |
| October 1, 1984 | 1,060,000 |
| April 1, 1985 | 1,100,000 |
| October 1, 1985 | 1,150,000 |
| April 1, 1986 | 1,200,000 |
| October 1, 1986 | 1,250,000 |
| April 1, 1987 | 1,305,000 |
| October 1, 1987 | 1,360,000 |
| April 1, 1988 | 1,415,000 |
| October 1, 1988 | 1,475,000 |
| April 1, 1989 | 1,540,000 |
| October 1, 1989 | 1,605,000 |
| April 1, 1990 | 1,675,000 |
| October 1, 1990 | 1,740,000 |
| April 1, 1991 | 1,820,000 |
| October 1, 1991 | 1,895,000 |
| April 1, 1992 | 1,975,000 |
| October 1, 1992 | 2,060,000 |
| April 1, 1993 | 2,150,000 |
| October 1, 1993 | 2,240,000 |
| April 1, 1994 | 2,330,000 |
| October 1, 1994 | 2,435,000 |
| April 1, 1995 | 2,535,000 |
| October 1, 1995 | 2,645,000 |
| April 1, 1996 | 2,755,000 |
| October 1, 1996 | 2,875,000 |
| April 1, 1997 | 2,995,000 |
| October 1, 1997 | 3,125,000 |
| April 1, 1998 | 3,255,000 |
| October 1, 1998 | 3,395,000 |
| April 1, 1999 | 3,540,000 |
| October 1, 1999 | 3,690,000 |
| April 1, 2000 | 3,860,000 |

* 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

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:

| <i>Time of Prepayment</i> | <i>Premium</i> |
|---|----------------|
| Not more than three years before maturity | 1% |
| More than three years but not more than six years before maturity | 2-1/4% |
| More than six years but not more than eleven years before maturity | 4% |
| More than eleven years but not more than sixteen years before maturity | 5-1/2% |
| More than sixteen years but not more than twenty-one years before maturity | 7-1/4% |
| More than twenty-one years but not more than twenty-three years before maturity | 8% |
| More than twenty-three years before maturity | 8-1/2% |

SCHEDULE 4**Procurement****A. General Procedures**

1. Except as provided in Part A.3 hereof, contracts shall be let under procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in April 1972, as revised in October 1972 (hereinafter called the Guidelines), on the basis of international competitive bidding.

2. (a) With respect to any contract for civil works for Parts A and D of the Project, contractors shall be required to prequalify.

(b) For bidding purposes, construction and improvement work under Part A of the Project shall be divided into eight sections to be tendered under four separate bidding lots (i.e., San Mateo-Morococha, La Oroya-Huánuco, Aguaytía-Neshuya and Pucallpa access road and streets). Each invitation to bid for such works shall, *inter alia*, specify that (i) all bids will be opened at the same time and awarded simultaneously; (ii) awards shall be made on the basis of the lower of (1) the lowest evaluated bid for the entire works or (2) the lowest evaluated combination of bids; and (iii) the Borrower will have the option of awarding to one contractor a single contract in respect of all sections or separate contracts to different contractors in respect of one or more sections.

(c) For bidding purposes, construction work under Part D of the Project shall be included in one package to allow bidders to bid for works at one or both ports. The invitations to bid for such works shall, *inter alia*, specify that (i) the bids for both ports will be opened at the same time and awarded simultaneously; (ii) awards shall be made on the basis of the lowest evaluated bid or combination of bids; and (iii) the Borrower will have the option of awarding to one contractor a single contract in respect of the works for both ports or separate contracts to different contractors in respect of the works for each port.

(d) For bidding purposes, contracts for materials and equipment for Parts C, F and G of the Project will be grouped, to the extent practicable, in such manner as shall be agreed between the Borrower and the Bank, prior to issuing the invitation to bid, so as to permit bulk procurement.

3. (a) Improvement works under Part B of the Project shall be subject to the procurement procedures set forth in Part A.1 hereof, provided, however, that (i)

the Borrower may, at its option, limit advertising inviting bids therefor to newspapers of wide circulation within its territory; (ii) bids will be invited for both roads simultaneously; (iii) all bids will be opened at the same time and awarded simultaneously; (iv) awards shall be made on the basis of the lower of (1) the lowest evaluated bid for the entire works or (2) the lowest evaluated combination of bids for the two roads. Notwithstanding the preceding, the Borrower may, at its option, carry out, through its *Ministerio de Transportes y Comunicaciones*, such improvement works by force account. In such case, the *Ministerio de Transportes y Comunicaciones* shall (i) prepare or cause to be prepared, to the extent required, detailed engineering to carry out such works; (ii) make available such detailed engineering to the Bank for its approval before initiation of the works; and (iii) have such works supervised by the consultants employed pursuant to Section 3.02(i) of this Agreement.

(b) Civil works for Part E of the Project shall be let through direct contractual arrangements with SIMA, under terms and conditions satisfactory to the Bank.

B. *Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers*

1. For the purpose of evaluation and comparison of bids for the supply of goods: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Goods manufactured in Perú may be granted a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following three groups:

- (1) *Group A*: bids offering goods manufactured in Perú if the bidder shall have established to the satisfaction of the Borrower and

the Bank that the manufacturing cost of such goods includes a value added in Perú equal to at least 20% of the ex-factory bid price of such goods.

- (2) *Group B*: all other bids offering goods manufactured in Perú.
- (3) *Group C*: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. The lowest evaluated bid of each group shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid, or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the lowest evaluated bid from group C shall be selected.

C. *Review of Procurement Decisions by Bank*

1. Review of prequalification. The Borrower shall, before qualification is invited, inform the Bank in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, including the recommendations of the consultants referred to in Section 3.02(i) of this Agreement, shall be furnished by the Borrower to the Bank for its comments before the applicants are notified, and the Borrower shall make such additions to, deletions from, or modifications in, the said list as the Bank shall reasonably request.

2. Review of invitation to bid and of proposed awards and final contracts:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other

bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. In the case of contracts for materials and equipment, the Borrower shall also furnish to the Bank, for its approval, lists of all items of materials and equipment required for the Project showing the specifications and the estimated unit and total price of each item. The items to be purchased will be grouped as provided in Part A.2(d) hereof. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) Promptly after the bids have been received, the Borrower shall inform the Bank of the names of the bidders and the respective amounts of the bids.

(c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and the reasons for the intended award and shall furnish to the Bank, in sufficient time for its review, a detailed report, by the consultants referred to in Section 3.02(i) of this Agreement, on the evaluation and comparison of the bids received, together with the recommendation for award of the said consultants and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(d) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(e) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 27th day of May, 1976.

Shankar

FOR SECRETARY