As filed with the Securities and Exchange Commission on August [16], 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

REGISTRATION STATEMENT
Under
SCHEDULE B
Of
The Securities Act of 1933

Republic of Peru
(Name of Registrant)

[Authorized Representative]
(Name and address of Authorized Representative of the Registrant in the United States)

It is requested that copies of notices and communications from the Securities and Exchange Commission be sent to:

Carmen A. Corrales, Esq.
Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
U.S. Dollar-Denominated Global Bonds due 2012	US$1,422,983,000	100%	US$1,422,983,000	US$130,915

(1) Estimated solely for the purpose of computing the amount of the registration fee, pursuant to Rule 457 under the Securities Act of 1933.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

CROSS REFERENCE SHEET

Between Schedule B of the Securities Act of 1933
and the prospectus

Schedule B Item Number	Location in Prospectus
1	Cover Page
2	Use of Proceeds
3	Use of Proceeds; Description of the Exchange Bonds
4	Public Sector Debt
5	Public Sector Finances
6	N/A
7	Authorized Representative
8	Use of Proceeds
9	N/A
10	Plan of Distribution
11	**
12	Validity of the Securities**
13	N/A
14	**

* To be filed by amendment.

** Information included in Part II to this Registration Statement or as an Exhibit thereto or to be filed by one or more amendments to this Registration Statement.

SUBJECT TO COMPLETION DATED •, 2002

PROSPECTUS

The Republic of Peru

Offer to Exchange Its
U.S. Dollar-Denominated Global Bonds due 2012,
which have been registered under the Securities Act of 1933,
(the "Exchange Bonds")
for Its Outstanding
U.S. Dollar-Denominated Global Bonds due 2012,
(the "Global Bonds")

Terms of the Exchange Offer

- The exchange offer expires at 5:00 p.m., New York City time, on [•], 2002, unless extended.
- The Republic is offering to exchange the Global Bonds that it sold in private and offshore offerings for new registered Exchange Bonds.
- The exchange offer is subject to certain customary conditions that the Republic may waive in its discretion.
- The terms of the Exchange Bonds are identical to the terms of the Global Bonds, except for the transfer restrictions and registration rights relating to the Global Bonds.
- The Republic believes that the exchange of Exchange Bonds for Global Bonds will not be a taxable exchange for U.S. federal income tax purposes.
- You may withdraw tenders of Global Bonds at any time prior to the expiration of the exchange offer.
- The Republic will not receive any proceeds from the exchange offer.
- The Republic will pay the expenses of the exchange offer.
- The Republic expects to list the Exchange Bonds on the Luxembourg Stock Exchange.

The Republic is not making an offer to exchange Exchange Bonds for Global Bonds in any jurisdiction where the offer is not permitted.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be distributed in the exchange offer or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.


COLOMBIA
ECUADOR
TUMBES
LORETO
PIURA
AMAZONAS
LAMBAYEQUE
CAJAMARCA
SAN MARTIN
BRASIL
LA LIBERTAD
ANCASH
HUANUCO
UCAYALI
PASCO
JUNIN
MADRE DE DIOS
LIMA
HUANCAVELICA
CUZCO
APURIMAC
ICA
PUNO
BOLIVIA
AYACUCHO
AREQUIPA
MOQUEGUA
TACNA
CHILE

You should rely only on the information contained in this prospectus or the information to which the Republic has referred you. The Republic has not authorized anyone to provide you with different information. The Republic is not making an offer of these securities in any jurisdiction where the offer is not permitted. This prospectus may be used only where it is legal to sell these securities. The information in this document may be accurate only on the date of this document.

TABLE OF CONTENTS

Each broker-dealer that receives Exchange Bonds for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those Exchange Bonds. The letter of transmittal relating to the exchange offer states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Bonds received in exchange for Global Bonds where those Global Bonds were acquired by that broker-dealer as a result of market-making activities or other trading activities. The Republic has agreed that, for a period of 180 days after the expiration date of the exchange offer, it will make this prospectus available to any broker-dealer for use in connection with any resale of that sort. See "Plan of Distribution."

CERTAIN DEFINED TERMS AND CONVENTIONS

Certain Defined Terms

All references in this prospectus to the "Republic" are to the issuer, and all references to the "Government" are to the central government of the Republic and its authorized representatives.

The terms set forth below have the following meanings for the purposes of this prospectus:

- Gross domestic product, which we refer to in this prospectus as "GDP," is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. In this prospectus, real GDP figures are based on constant 1994 prices, the year used by the *Banco Central de Reserva del Perú*, which we refer to in this prospectus as the "Central Bank," for purposes of maintaining real GDP statistics. GDP growth rates and growth rates for the various sectors of the Republic's economy are based on real figures.

- For balance of payments purposes, imports and exports are calculated based upon statistics reported to the Republic's customs upon entry and departure of goods into Peru on a free-on-board basis at a given point of departure, which we refer to in this prospectus as "FOB" basis. Export data include the gross value of marine resource catches by non-resident vessels operating with fishing licenses and the value of goods sold to non-resident transport companies. Import data include data on imports through the Tacna Special Processing Area, the only one of Peru's five free trade zones that is currently active, purchases of goods abroad by resident transport companies and ship repairs by non-residents.

- The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The Republic measures the inflation rate by the percentage change between two periods in the consumer price index, which we refer to in this prospectus as the "CPI," unless otherwise specified. The CPI is based on a basket of goods and services identified by the *Instituto Nacional de Estadística e Informática*, which we refer to in this prospectus as the "INEI." The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the CPI. The annual percentage change in the CPI is calculated by comparing the index as of a specific December against the index for the immediately preceding December. The average annual percentage change in the CPI is calculated by comparing the average index for a 12-month period against the average index for the immediately preceding 12-month period. INEI also compiles statistics to calculate the wholesale price index, which is used to measure the evolution in prices of a representative group of goods sold in the wholesale market in 25 cities.

Currency of Presentation and Exchange Rate

Unless we specify otherwise, references to "U.S. dollars," "dollars" and "US$" are to United States dollars, and references to "nuevos soles" and "S/." are to Peruvian nuevos soles. Unless otherwise indicated, we have converted nuevos soles into dollars and dollars, or any other denomination, into nuevos soles for each year at the year's average exchange rate, calculated by averaging the exchange rates for each calendar day of the year. We have done all currency conversions, including conversions of nuevos soles into U.S. dollars, for the convenience of the reader only and you should not construe these conversions as a representation that the amounts in question have been, could have been or could be converted into any particular denomination, at any particular rate or at all.

On March 31, 2002, the nuevo sol/U.S. dollar exchange rate was S/. 3.446 US$1.00. See "The Monetary System—Foreign Exchange and International Reserves—Foreign Exchange."

Presentation of Financial Information

The Republic has presented all annual information in this prospectus based upon January 1 to December 31 periods, unless it has indicated otherwise. Totals in some tables in this prospectus may differ from the sum of the individual items in those tables due to rounding.

Certain statistical information included in this prospectus is preliminary in nature and reflects the most recent reliable data readily available to the Republic as of the date hereof. The Central Bank conducts a review process of the Republic's official financial and economic statistics. Accordingly, certain financial and economic information presented in this prospectus may be subsequently adjusted or revised to reflect new or more accurate data or in accordance with the Republic's ongoing maintenance of its economic data. In particular, certain information and data contained in this prospectus for 1998, 1999, 2000, 2001 and 2002 are preliminary and subject to routine revisions and possible adjustments by the Central Bank to ensure their accuracy. Any revised data will be made public in accordance with the Republic's normal practices for releasing data. The Government believes that this review process is substantially similar to the practices of industrialized nations. The Government does not expect revisions of the data contained in this prospectus to be material, although it cannot assure you that it will not make material revisions.

FORWARD-LOOKING STATEMENTS

The Republic has made forward-looking statements in this prospectus. Forward-looking statements are statements that are not historical facts. These statements are based on the Republic's current plans, estimates, assumptions and projections. Therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and the Republic undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks. The Republic cautions you that many factors could affect the future performance of the Peruvian economy. These factors include, but are not limited to:

- external factors, such as:
  - interest rates in financial markets outside Peru;
  - the impact of changes in the credit ratings of the Republic;
  - the impact of changes in import tariffs and exchange rates;
  - the impact of changes in the international prices of commodities;
  - recession or low economic growth affecting Peru's trading partners; and
  - the decisions of international financial institutions, such as the International Monetary Fund, which we refer to in this prospectus as the "IMF," the Inter-American Development Bank, which we refer to in this prospectus as the "IDB," and the International Bank for Reconstruction and Development, which we refer to in this prospectus as the "World Bank," regarding the terms of their financial assistance to the Republic; and
- internal factors, such as:
  - general economic and business conditions or political events in Peru;
  - natural events, such as earthquakes and floods;
  - present and future exchange rates of the Peruvian currency;

- foreign currency reserves;
- the ability of the Government to enact key economic reforms;
- the level of domestic debt;
- domestic inflation;
- the level of foreign direct and portfolio investment; and
- the level of Peruvian domestic interest rates.

SUMMARY

This following summary highlights information contained elsewhere in this prospectus. It is not complete and may not contain all the information that you should consider before offering Global Bonds in exchange for Exchange Bonds. You should read the entire prospectus carefully.

The Republic

Introduction

Peru is a representative democracy located in western South America, with an estimated population as of December 31, 2001 of 26.7 million people. Peru's population is multi-racial and multi-cultural, and the country's official languages are Spanish, Quechua and Aymara. The World Bank classifies Peru as a lower-middle-income developing country.

Peru is emerging from more than a decade of rule by former President Alberto Fujimori, who liberalized the country's economy and controlled domestic terrorism, but also dismantled democratic institutions. Fujimori presided over the reform of protectionist laws and policies, strengthened the tax system, achieved price and exchange rate stability and privatized many state entities during the 1990s. He also managed to largely break up terrorist cells acting in Peru in the 1980s and early 1990s. Ultimately, Fujimori undermined his achievements through the corrupt and undemocratic actions of his administration.

Fujimori's administration ended in November 2000, when, after damaging disclosures about corruption in his administration and increasing public protests and discontent, Fujimori fled the country for Japan. Political instability, coupled with a series of external shocks, limited economic development during the final years of the Fujimori administration leading to high rates of poverty, underemployment and unemployment, and lack of access to basic health and public services. Charges of corruption are still pending against Fujimori, who remains in Japan where he has thus far successfully evaded the Republic's extradition attempts. In July 2002, his close ally Vladimiro Montesinos, former advisor to Peru's intelligence agency, was sentenced to nine years in prison after being convicted of usurping office for seizing control of the intelligence agency while serving as an advisor. More than 70 criminal charges are still pending against Montesinos ranging from corruption, to arms smuggling and murder.

Goals of the Toledo Administration

In June 2001, the Peruvian people elected Alejandro Toledo Manrique to the presidency based on a platform that rejected Fujimori's legacy of political coercion and financial misdealings, but still recognized the value of an open economic system. President Toledo vowed to restore democracy, fiscal discipline and transparency to the government, while increasing the living standards of the poor and disadvantaged, who constitute a majority of the population, through improvements in education, health and employment opportunities. He also promised to continue the economic reforms and privatization program first advanced by the Fujimori administration.

Toledo assumed the presidency in July 2001 against a backdrop of high unemployment and underemployment, economic recession and social need more severe than had been acknowledged by the Fujimori administration. Despite the economic strides achieved between 1990 and 2000, poverty remains a persistent problem in Peru, with more than half of the population living below the poverty line—a monthly income less than US$60 per capita per month, adjusted to reflect differences in purchasing power, which is the definition of poverty used by the World Bank—and an increasing number living on an income of less than US$30 per capita per month.

President Toledo implemented a number of proposals to stimulate the Republic's economy, including privatization and fiscal austerity programs. Toledo's policies spurred moderate economic growth in the fourth quarter of 2001 and the first quarter of 2002. Despite this economic growth, the Toledo administration faced social protests and unrest spurred by disappointment that the President's policies had not immediately led to a significant reduction in the high rates of underemployment, unemployment and poverty.

In an effort to maintain his political alliances and quell public unrest, Toledo changed his cabinet. At the beginning of July, several ministers viewed as proponents of neo-liberal economic policies resigned their posts, including Prime Minister Roberto Dañino and Finance Minister Pedro Pablo Kuczynski, whose pro-private investment policies had angered many Peruvians. On July 12, President Toledo swore in a new cabinet, including Luis Solari as Prime Minister, Allan Wagner Tizón as Foreign Minister, and Javier Silva Ruete as Finance Minister.

The Toledo administration has established the following priorities:

- achieving and sustaining economic growth;
- increasing exports of Peruvian goods;
- reducing unemployment, underemployment and poverty;
- reforming the tax system, primarily by eliminating and not renewing a number of tax exemptions and improving tax collection mechanisms;
- fostering private investment by reinvigorating structural reforms and promoting investment through concessions, joint ventures and other similar business forms;
- increasing public investment in education, public health, job training, low-income housing and other social programs while reducing overall public spending;
- maintaining low inflation and a floating exchange rate system;
- improving the efficiency of the pension system by fostering participation in the private pension system;
- stimulating growth in private sector credit by enhancing creditors' rights;
- reducing public sector debt;
- improving oversight of the financial system and adopting transparency guidelines and requirements in regulated sectors of the economy;
- improving the efficiency of the public sector; and
- maintaining open trade policies.

These priorities are the basis for various projects and initiatives that the Toledo administration has pursued since assuming office. These projects and initiatives include the following:

- adopting a private investment promotional program for 2002;
- submitting a 2002 budget, approved by Congress in November 2001, that projects a fiscal deficit of 2.2% of GDP, as compared to the 2.3% of GDP fiscal deficit for 2001;
- increasing the corporate income tax rate from 20% to 27%;
- reducing the payroll tax, known as the Extraordinary Solidarity Tax, from 5% to 2%;
- initiating a temporary-jobs placement program in impoverished areas of the country;
- increasing public sector wages 9%;

- creating an agrarian bank to provide the agricultural sector with greater access to credit;

- transforming *Mivivienda*, a public development fund offering subsidized mortgages, into a mortgage securitization agency, with the goal of increasing mortgage lending and addressing the scarcity of affordable low-income housing; and

- securing a commitment from donor nations to provide the Republic with US$1.8 billion for social and economic development programs.

Because President Toledo's political party, *Perú Posible*, does not have an absolute majority in Congress, the Toledo administration must seek alliances with members of other parties to enact its policies and there can be no assurances that these policies will be enacted or implemented.

The Economy

History and background. During the 1980s, Peru was beset by hyperinflation, significant fiscal and current account deficits, a high debt burden and recession. This economic disequilibrium was provoked by high government spending, the collapse of private investment brought about by the attempted nationalization of the banking system and other key industries, and the destruction of property and human lives unleashed by domestic terrorist groups such as the Shining Path and Tupac Amaru.

During the period between 1990, the year Alberto Fujimori was first elected President, and 1996, the country evolved from a closed, protected economy to a more open and deregulated economic system. GDP grew during this period and economic sectors that had suffered as a result of terrorism and the hyperinflationary conditions of the late 1980s began to expand.

1997-2001. During the five-year period from 1997 to 2001, Peru experienced the following economic results:

- The economy grew by 5.5% in 1997, primarily as a result of increasing exports, high foreign and domestic investment and consumer confidence.

- The economy contracted by 3.3% in 1998 and 9.3% in 1999, primarily as a result of several external shocks, including the Asian and Russian financial crises, the negative impact of the *El Niño* atmospheric phenomenon in 1998 on the Peruvian fishing and agricultural industries, and the devaluation of the Brazilian *real*, which led to the flight of short-term capital and a complete halt in investment and consumer decisions.

- The economy grew by 3.6% in 2000, expanding significantly during the first half of the year primarily as a result of increased government spending and investment reflecting the Fujimori administration's turn to more populist economic measures to gain public support. The economy slowed during the second half of the year primarily as a result of the political turmoil surrounding Fujimori's controversial election to a third term and his eventual resignation in November 2000. See "The Economy—Gross Domestic Product and the Structure of the Economy."

- The economy grew by 0.2% in 2001, declining in the first half of the year as the political fallout from Fujimori's resignation continued, weakening domestic demand and leading to a decline in private investment. In August 2001, the economy began to expand in response to a government-implemented fiscal stimulus package that included reducing from 5% to 2% the special payroll tax, starting a temporary jobs program in the most impoverished areas of the Republic and increasing public sector pensions and wages by 9%. In addition, the Republic experienced the lowest rate of inflation (-0.13%) **[Verify]** in Peru for over 60 years and record gold, silver and zinc production that offset a sharp drop in world metals prices.

Recent economic developments. The following are preliminary economic results for the first three months of 2002:

- the consolidated public surplus sector fiscal deficit expanded 317.6 % to US$198 million, as compared to a US$91 million fiscal surplus for the first three months of 2001;
- the average inflation rate for the twelve months ending March 31, 2002 was 2%, as compared to 3.7% for the twelve months ending March 31, 2001;
- the net international reserves of the Central Bank increased 2% to US$8.8 billion, as compared to US$8.6 billion as of December 31, 2001; and
- the current account deficit decreased 29.7% to a deficit of US$343 million, as compared to a current accountant deficit of US$488 million for the first three months of 2001.

Balance of Payments

Between 1997 and 2001, the Republic's balance of payments account started from a surplus in 1997, turned into deficits during the period from 1998 to 2000 and ended as a surplus in 2001. The Republic's yearly surpluses in its capital account during 1997 and 2001 served to offset current account deficits. In the period from 1998 to 2000, however, the capital account surplus contracted and was not sufficient to offset current account deficits, leading to annual deficits in the Republic's balance of payments.

Explanations for these balance of payments results include the following:

- In 1997, the Republic imported a significant number of capital goods necessary for modernization of various economic sectors, as well as consumer and other goods. Exports did not keep pace with imports, leading to a trade deficit that was primarily responsible for the current account deficits. At the same time, in 1996 and 1997, substantial foreign capital flows contributed to increasing surpluses in the capital account.
- In 1998, negative effects from *El Niño* further depressed exports while imports continued at high levels. The capital account surplus contracted (while still reaching a surplus) as a result of significant withdrawals of short-term capital from the country in response to the adverse effects of the Asian and Russian financial crises and *El Niño*'s devastating effect on Peru's primary export market.
- In 1999, exports began to recuperate as the *El Niño* weather phenomenon abated and imports were reduced significantly, as capital investments within the country leveled off. The capital account surplus continued to shrink.
- In 2000, exports grew significantly, leading to a narrowing of the trade deficit. In 2000, the capital account surplus was flat, as compared to 1999.
- In 2001, the capital account surplus grew significantly, in large part due to a significant increase in foreign direct investment, US$267 million of which was related to privatization.

For the first three months of 2002, the capital account surplus again grew significantly, by 63.1% over the same period in 2001, due in part to the issuance of the Global Bonds. See "Balance of Payments and Foreign Trade—Balance of Payments."

Since 1992, the Government has privatized the vast majority of its assets, including those in the finance, fishing and telecommunications sectors. Significant progress has also been made in other sectors. The Government has privatized a majority of its assets in the mining, manufacturing, hydrocarbons, electricity and agriculture sectors. The more than 258 privatizations that have been completed in Peru generated revenues of approximately US$9.8 billion.

At present, the Government has currently suspended its privatization program in response to violent protests and political opposition until at least after the November 2002 regional elections. With the resignation of pro-privatization ministers, there can be no assurances the privatization program will resume or that the Government will be able to find alternative sources of revenues for expected privatization proceeds.

Monetary Policy

The Central Bank serves as the Republic's monetary authority. Its central goal is to maintain a stable monetary environment with low levels of inflation. Subject to occasional intervention by the Central Bank in the foreign exchange market to prevent drastic exchange rate fluctuations, exchange rates and interest rates are allowed to float freely.

The economic and monetary program that the Government implemented during the early 1990s achieved a drastic reduction in inflation. Prices during 2001 demonstrated significant stability, with an average inflation rate of 2.0% for 2001, as compared to 3.8% for 2000. See "The Monetary System—Monetary Policy" and "—Inflation."

The Fujimori administration liberalized interest rates and eliminated exchange rate controls. These and other reforms fueled significant growth of the financial sector. The number of financial institutions operating in Peru grew from 38 in 1990 to 68 by March 31, 2002. Peru's financial system has been open to foreign investment and benefited from the participation of numerous foreign banks and institutions. See "The Monetary System—Financial Sector."

The Central Bank maintained a policy during the 1990s of accumulating international reserves. The Central Bank's net international reserves were US$10.2 billion in 1997, falling to US$8.2 billion by 2000, but increasing to $8.6 billion in 2001. As of March 2002, net international reserves amounted to $8.8 billion. See "Monetary Policy—Foreign Exchange and International Reserves." The Toledo administration plans to continue this policy.

Public Sector Finances

The non-financial public sector registered a surplus of US$93 million, or 0.2% of GDP, in 1997 and an overall deficit every year from 1998 to 2001. The deficits registered during this period ranged from a low of US$475 million, or 0.9% of GDP, in 1998 to a high of US$1.7 billion, or 3.2% of GDP, in 2000. The principal reason for the increase in the fiscal deficit was that tax collections fell significantly in 1999 and 2000, as compared to earlier years in the 1997-2001 period. Fiscal expenditures decreased in 1999 and 2001, but not sufficiently to offset the decrease in tax collections. Debt service remained flat during the period.

For the first three months of 2002, the non-financial public sector registered a deficit of US$198 million, or 1.5% of GDP, a 318% decrease from the US$91 million surplus for the same period in 2001. The Republic projects a consolidated public sector deficit of 2.2% of GDP in 2002. **[Confirm projections; some forecasts are at least 2.5%]** See "Public Sector Finances—Consolidated Public Sector."

Public Sector Debt

Ninety-three percent of the Republic's public sector external debt consists of foreign currency denominated debt. As of December 31, 2001, public external debt totaled US$19.0 billion, or 35.1% of GDP, compared to US$19.2 billion, or 35.9% of GDP, as of December 31, 2000. Since 1997, the Republic's public sector external debt as a percentage of GDP and as a percentage of total exports of goods and services has fluctuated. Public sector external debt increased substantially between 1997 and 1999, from 31.8% of GDP or 206.2% of total exports of goods and services in 1997, to 37.7% of GDP or 233.6% of total exports in 1999. Public sector external debt has since leveled off at 35.9% of GDP and 205.4% of total exports in 2000 and 35.1% of GDP and 205.5% of total exports in 2001.

During the period from 1997 to 2001, multilateral debt represented, on average, 28.6% of the Republic's public sector external debt. The Republic's principal multilateral creditors are the World Bank, representing, on average, 42.6% of outstanding multilateral debt each year from 1997 to 2001, and the IDB, representing, on average, 44.6% of outstanding multilateral debt each year from 1997 to 2001. **[Please verify, since our figures differ from the ones you have provided]**

The Republic has signed a letter of intent with the IMF to establish a two-year US$316 million stand-by credit facility for 2002-2004. In this letter, the Republic agreed to economic targets and performance criteria upon which IMF support will be conditioned, including enacting comprehensive tax reform aimed at improving the tax systems neutrality and equity and an ambitious agenda of privatizations. The Republic has, at present, suspended its privatization program due to political opposition and public protest. The IMF has accordingly agreed to adjust both the 2002 and 2003 targets for the consolidated public sector deficit from 1.9% to 2.2% of GDP.

From 1997 to 2001, total public sector external debt service ranged, as a percentage of total fiscal revenue, from a low of 19.5% in 1998 to a high of 26.9% in 2000. Public sector external debt service measured as a percentage of total exports of goods and services increased from 21.9% in 1997 to 24.3% in 1999, before dropping to 21.6% in 2001. For 2002, the Republic expects public sector external debt service to represent 22.8% of total fiscal revenue and 33.6% of total exports of goods and services. As a percentage of GDP, public sector external debt service increased from 3.4% in 1997 to 4.0% in 2000 before dropping to 3.7% in 2001. It is expected to decrease to 3.2% in 2002.

Debt Record

In 1984, the Republic suspended payment on its external commercial bank debt. By the end of 1984, the Republic had failed to make scheduled payments of US$1.0 billion in principal and interest on its commercial bank debt. In three rounds of negotiations between 1991 and 1996, the Republic rescheduled approximately US$12.8 billion of its short-term external debt held by the Paris Club. In 1997, the Republic renegotiated its debt with international commercial banks under the Brady program. The Brady restructuring reduced the Republic's international commercial bank debt from US$10.6 billion to US$4.9 billion.

Upon completion of its Brady restructuring, the Republic ceased making payments of principal or interest to lenders who had failed to participate in the restructuring. These lenders included Elliot Associates, L.P., a private investment firm that acquired US$20.0 million in Peruvian debt and subsequently obtained a US$55.7 million judgment against the Republic for non-payment of interest. Elliot Associates, L.P. also obtained an attachment on the Republic's assets held in the Chase Manhattan Bank of New York and subsequently an injunction against Euroclear, which together prevented the Republic from paying other creditors until Elliot Associates, L.P. had been paid. The Republic missed a September 7, 2000, payment. The litigation, however, was quickly settled, and the Republic made interest payments to Brady bondholders in early October 2000, within the applicable 30-day grace period for the Brady Bonds.

In February 2002, the Republic launched its first international bond offering in 74 years, the Global Bonds, raising $500 million. The Global Bonds were more than three times oversubscribed. At the same time, the Republic retired $1.2 billion in principal amount of Brady bonds in exchange for a further $923 million in principal amount of the Global Bond. The exchange lowered the Republic's debt by $281 million and freed up a further $50 million in collateral backing the Brady bonds, the issuance of the Global Bonds pushed up total debt by only $170 million.

Investor Considerations

In the past, Peru has experienced economic and political instability and terrorist insurgency. At present, the country is a stable democracy. We cannot assure you that Peru will not face political, economic or social problems in the future and that these problems may not interfere with the Republic's ability to service its indebtedness, including the Exchange Bonds. In addition, developments in other emerging countries, such as Argentina and Brazil, may have an adverse effect on other countries in the region, including Peru.

Selected Economic Information[1]
(in millions of U.S. dollars, except as otherwise indicated)

	For the Year Ended and as of December 31,					For the Three Months Ended and as of March 31,	
	1997	1998	1999	2000	2001	2001	2002
Domestic economy							
GDP (at current prices)(1)	US$ 59,126	US$ 56,928	US$ 51,692	US$ 53,666	US$	US$	US$
Real GDP (in millions of S/. at constant 1994 prices)(1)	S/. 117,110	S/. 116,485	S/. 117,590	S/. 121,267	S/.	S/.	S/.
Real GDP growth rate(1)	6.7%	(0.5)%	0.9%	3.1%			
Consumer price index (annual average change)	8.5%	7.3%	3.5%	3.8%			
Unemployment rate(2)	7.7%	7.8%	8.0%	7.4%			
Underemployment rate(3)	41.8%	44.3%	43.5%	43.0%			
Balance of payments							
Total current account	US$ (3,056)	US$ (3,634)	US$ (1,919)	US$ (1,627)	US$	US$	US$
Of which:							
Trade balance	(1,721)	(2,466)	(631)	(321)			
Total capital account	5,704	1,920	1,106	1,108			
Of which:							
Foreign direct investment	1,697	1,842	2,263	681			
Errors and omissions(4)	(86)	343	10	387			
Overall balance of payments, excluding impact of gold valuation adjustment(5)	2,562	(1,371)	(803)	(132)			
Change in Central Bank net international reserves (period end)	1,628	(986)	(779)	(224)			
Central Bank net international reserves (period end)	10,169	9,183	8,404	8,180			
Public sector balance							
Central government revenue(6)	US$ 9,471	US$ 9,127	US$ 7,652	US$ 8,059	US$	US$	US$
As a % of GDP	16.0%	16.0%	14.8%	15.0%			
Central government expenditure(7)	US$ 8,920	US$ 8,674	US$ 8,192	US$ 8,329	US$	US$	US$
As a % of GDP	15.1%	15.2%	15.8%	15.6%			
Central government fiscal balance	US$ (498)	US$ (613)	US$ (1,627)	US$ (1,442)	US$	US$	US$
As a % of GDP	(0.8)%	(1.1)%	(3.1)%	(2.7)%			
Overall consolidated public sector fiscal balance	US$ 95	US$ (454)	US$ (1,620)	US$ (1,706)	US$	US$	US$
As a % of GDP	0.2%	(0.8)%	(3.1)%	(3.2)%			
Public sector debt							
Public sector external debt	US$ 18,787	US$ 19,562	US$ 19,500	US$ 19,205	US$	US$	US$
As a % of GDP	31.8%	34.4%	37.7%	35.8%			
Public sector domestic debt(8)	US$ 912	US$ 945	US$ 4,815	US$ 5,045	US$	US$	US$
As a % of GDP	N/A	N/A	9.3%	9.4%			
Total public sector debt	US$ 19,699	US$ 20,507	US$ 24,315	US$ 24,250	US$	US$	US$
As a % of GDP	33.3%	36.0%	47.0%	45.2%			
Public sector external debt service:							
Amortizations(9)	US$ 837	US$ 859	US$ 971	US$ 1,045	US$	US$	US$
Interest payments(9)	1,037	1,032	1,054	1,074			
Total external debt service	US$ 1,874	US$ 1,891	US$ 2,025	US$ 2,119	US$	US$	US$
As a % of exports of goods and services(10)	20.6%	22.7%	24.3%	22.7%			
Exchange rate (end of period, S/. per US$)	2.73	3.15	3.51	3.53			
Exchange rate (average, S/. per US$)	2.66	2.93	3.38	3.49			

(1) Preliminary data.
(2) Refers to the percentage of the working-age population (14 years old or older) that, in the week the employment survey was conducted, was seeking remunerated employment.
(3) Refers to the percentage of the working-age population (14 years old or older) working part-time who would prefer to work more hours, plus the percentage of the working-age population that usually works full-time but who, in the week the employment survey was conducted, worked less than 35 hours per week as a result of economic constraints.
(4) Represents errors and omissions in compiling balance of payments accounts based on double-entry accounting resulting from incomplete or overlapping coverage, different prices and incomplete times of recording and conversion practices.
(5) Includes current account balance, financial account, and errors and omissions.
(6) Excludes privatization receipts.
(7) Includes interest payments.
(8) Totals for 1996, 1997 and 1998 do not include short-term debt, as short-term debt data is unavailable for those years.
(9) Excludes Central Bank debt.
(10) Includes exports of goods and services and investment income.
N/A = Not Available.
Source: Central Bank, unless otherwise indicated.

1 Please provide us with an updated table.

The Exchange Offer

The Exchange Offer

On February 21, 2002, the Republic issued US$1,422,983,000 aggregate principal amount of its U.S. Dollar-Denominated Global Bonds due 2012, to which we refer in this prospectus as the Global Bonds, in transactions not subject to the registration requirements of the Securities Act and applicable state securities laws. This exchange offer relates to the exchange of up to US$1,422,983,000 aggregate principal amount of the Republic's registered U.S. Dollar-Denominated Global Bonds due 2012, to which we refer in this prospectus as the Exchange Bonds, for an equal aggregate principal amount of Global Bonds. The Exchange Bonds will be the Republic's obligation and are entitled to the benefits of the fiscal agency agreement described in "Description of the Exchange Bonds."

The form and terms of the Exchange Bonds are the same as the form and terms of the Global Bonds, except that the Exchange Bonds, because they have been registered under the Securities Act, are not subject to transfer restrictions and will, therefore, not bear legends restricting their transfer. In addition, after completion of the exchange offer, none of the Exchange Bonds will be entitled to the contingent increases in the interest rate provided by the registration rights agreement. See "The Exchange Offer."

Resale of the Exchange Bonds

Based on an interpretation by the SEC's staff set forth in interpretive letters issued to third parties unrelated to the Republic, the Republic believes that the Exchange Bonds issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- you are acquiring the Exchange Bonds in the ordinary course of your business;
- you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in the distribution of the Exchange Bonds; and
- you are not an "affiliate" of the Republic.

If any of the foregoing is not true and you transfer any Exchange Bond without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from the registration requirements of the Securities Act, you may incur liability under the Securities Act. The Republic does not assume or indemnify you against this liability.

If you are a broker-dealer and receive Exchange Bonds for your own account in exchange for Global Bonds that you acquired as a result of market making or other trading activities, you must acknowledge that you will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the Exchange Bonds. A broker-dealer may use this prospectus for an offer to resell, resale or other transfer of the Exchange Bonds.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on •, 2002, unless the Republic decides to extend the expiration date, in which case the term "expiration date" means the latest date and time to which the Republic extends the exchange offer.

The Republic will accept for exchange any and all Global Bonds that you properly tender in the exchange offer before 5:00 p.m., New York City time, on the expiration date. If the Republic decides for any reason not to accept any Global Bonds you have tendered for exchange, those Global Bonds will be returned to you without cost promptly after the expiration date.

Interest on the Exchange Bonds

The Exchange Bonds will accrue interest at 9⅛% percent per year, beginning on the last date the Republic paid interest on the Global Bonds you exchanged. The Republic will pay interest on the Exchange Bonds on February 21 and August 21 of each year through the maturity date of February 21, 2012.

Termination of the Exchange Offer

The Republic may terminate the exchange offer and refuse to accept any Global Bonds for exchange if the Republic determines that its ability to proceed with the exchange offer could be materially impaired due to:

- any injunction, order or decree by any court or governmental agency, including a stop order by the Securities and Exchange Commission, or SEC, with respect to the registration statement, or any new law, statute, rule or regulation;
- any interpretation of the staff of the SEC of any existing law, statute, rule or regulation; or
- the failure to obtain any necessary approvals of governmental agencies or holders of the Global Bonds.

Holders of Global Bonds will have certain rights against the Republic under the registration rights agreement if it fails to complete the exchange offer.

Procedures for Tendering Global Bonds

If you wish to tender your Global Bonds for exchange in the Exchange Offer, you must:

- complete, sign and date the letter of transmittal, or a facsimile of it in accordance with the instructions contained in the letter of transmittal and in this prospectus; and
- mail or otherwise deliver the letter of transmittal, or a copy, together with any other required documentation to •, as exchange agent, at the address set forth in the letter of transmittal and in this prospectus.

If you are a holder of Global Bonds through The Depositary Trust Company ("DTC") and wish to tender your Global Bonds for exchange in the exchange offer, you must do so through DTC's Automated Tender Offer Program, known as ATOP.

By executing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- the Exchange Bonds you acquire in the exchange offer are being acquired in the ordinary course of business or, if another person will receive the Exchange Bonds, in the ordinary course of that person's business;
- neither you nor any other person who will receive the Exchange Bonds has or intends to have an arrangement or understanding with any person to participate in the distribution of the Exchange Bonds;
- neither you nor any other person who will receive the Exchange Bonds is an "affiliate," as defined in Rule 405 of the Securities Act, of the Republic, or if you or the person who will receive the Exchange Bonds is an affiliate under this definition, that you or that person will comply with the applicable registration and prospectus delivery requirements of the Securities Act; and
- if you are a broker-dealer, that you acquired the Global Bonds as a result of market making activities or other trading activities.

The registration rights agreement requires us to file a registration statement for an offering to be made on a continuous basis by the terms of Rule 415 under the Securities Act in respect of the Global Bonds of any holder that is not eligible to participate in the exchange offer or does not receive freely tradable Exchange Bonds in the exchange offer and requests to have its Global Bonds registered under the Securities Act.

Special Procedures for Beneficial Owners

If you are the owner of a beneficial interest in Global Bonds holding through a broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the exchange offer, you should contact the entity through which you hold your beneficial interest promptly and instruct that entity to tender on your behalf.

Guaranteed Delivery Procedures

If you wish to tender your Global Bonds and:

- your Global Bonds are not immediately available,
- you cannot complete the procedure for book entry transfer on a timely basis, or
- you cannot deliver your Global Bonds and a properly completed letter of transmittal to the exchange agent by the expiration date,

you may tender your Global Bonds according to the guaranteed delivery procedures we describe in "The Exchange Offer—Guaranteed Delivery Procedures."

Withdrawal Rights

You may withdraw the tender of your initial notes at any time prior to 5:00 p.m., New York City time, on the expiration date. To withdraw, you must send a written or facsimile transmission notice of withdrawal to the exchange agent at its address set forth under "The Exchange Offer—Exchange Agent" by 5:00 p.m., New York City time, on the expiration date.

Acceptance of Global Bonds and Delivery of Exchange Bonds

If all of the conditions to the exchange offer are satisfied or waived, we will accept any and all Global Bonds that are properly tendered in the exchange offer on or prior to 5:00 p.m., New York City time, on the expiration date. We will deliver the Exchange Bonds promptly after the expiration date.

Tax Considerations

Your acceptance of the exchange offer and the related exchange of your Global Bonds will not be a taxable exchange for U.S. federal income tax purposes. You should consult your tax adviser about tax consequences of this exchange as they apply to your individual circumstances. See "Taxation—U.S. Federal Income Tax Considerations."

Exchange Agent

[•] is serving as exchange agent in connection with the exchange offer.

Consequences of Failure to Exchange

If you do not exchange your Global Bonds, they will, following the completion of the exchange offer, continue to be subject to the existing restrictions upon their transfer. The Republic will have no further obligation to provide for the registration under the Securities Act of these Global Bonds. The liquidity of the market for your

Global Bonds could be adversely affected when the Republic completes the exchange offer if you do not participate in the exchange offer.

Use of Proceeds

The Republic will not receive any cash proceeds from the issuance of the Exchange Bonds under the exchange offer. See "Use of Proceeds."

Fees and Expenses

The Republic will bear all expenses related to consummating the exchange offer and complying with the registration rights agreement.

The Exchange Bonds

Issuer	The Republic of Peru.
Securities Offered	U.S. Dollar-Denominated Global Bonds due 2012.
Maturity	February 21, 2012.
Interest	The Exchange Bonds will bear interest at 9⅛%. The Republic will pay interest semi-annually in arrears on February 21 and August 21 of each year, commencing on February 21, 2003. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.
Status	The Exchange Bonds will be direct, general, unconditional, unsubordinated and unsecured obligations of the Republic. The Exchange Bonds will rank *pari passu*, without any preference among themselves, with all other existing and future unsecured and unsubordinated obligations of the Republic relating to External Indebtedness (as defined in "Description of the Exchange Bonds—Defined Terms").
Redemption or Sinking Fund	None.
Denominations	The Republic will issue the Exchange Bonds only in denominations of US$1,000 and integral multiples of US$1,000 in excess thereof.
Additional Amounts	The Republic will make payments of principal and interest in respect of the Exchange Bonds without withholding or deduction for or on account of any present or future Peruvian taxes, duties, assessments or governmental charges of whatever nature except as set forth in "Description of the Exchange Bonds—Additional Amounts."
Further Issues	The Republic may from time to time without the consent of the holders of the Exchange Bonds create and issue additional Exchange Bonds having the same terms and conditions as the Exchange Bonds, except for issue date, issue price and amount of the first payment of interest. Additional Exchange Bonds issued in this manner may be consolidated and form a single series with the outstanding Exchange Bonds.
Form and Settlement	The Republic will issue the Exchange Bonds in the form of one or more fully registered global securities, without coupons, registered in the name of a nominee of the Depository Trust Company ("DTC") and deposited with a custodian for DTC. You may hold a beneficial interest in the securities through Euroclear, Clearstream, Luxembourg, or DTC, directly as a participant in one of those systems or indirectly through financial institutions that are participants in any of those systems. As an owner of a beneficial interest in the global securities, you will generally not be entitled to have your Exchange Bonds registered in your name, will not be entitled to receive certificates in your name evidencing the Exchange Bonds and will not be considered the holder of any Exchange Bonds under the fiscal agency agreement for the Exchange Bonds.

Governing Law	New York.
Listing	Application has been made to list the Exchange Bonds on the Luxembourg Stock Exchange.
Trading	The Exchange Bonds will begin trading on a when-and-if basis following the announcement of the results of the exchange offer.

USE OF PROCEEDS

The Republic will not receive any cash proceeds from the issuance of the Exchange Bonds offered in the exchange offer. In consideration for issuing the Exchange Bonds as contemplated in this prospectus, the Republic will receive in exchange Global Bonds in an equal principal amount. The Global Bonds surrendered in exchange for the Exchange Bonds will be retired and cancelled and cannot be reissued. Accordingly, the issuance of the Exchange Bonds will not result in any change in the Republic's indebtedness. The net proceeds to the Republic from the sale of the Global Bonds were used to finance the Republic's fiscal year 2002 budget.

THE REPUBLIC OF PERU

Territory and Population

The Republic of Peru is located in western South America. It shares its borders with Ecuador and Colombia to the north, Brazil and Bolivia to the east and Chile to the south. Its territory covers an area of approximately 494,238 square miles, including a 1,500 mile-long Pacific Ocean coastline and a 200 mile-wide maritime zone. Peru's major cities are Lima, the nation's capital, Arequipa, Trujillo, Chiclayo, Iquitos, Piura, Chimbote and Cuzco.

Peru is divided by the Andes Mountains into three sharply different geographical regions—a narrow strip of desert along the western coast, a central region of high mountains that form part of the Andes and a large heavily forested area leading to the Amazonian plains in the east. Peru's climate varies significantly by region, from tropical rain forests in the east and a dry desert in the west, to temperate and frigid regions in the mountainous central part of the country. The Andes rise over 20,000 feet and contain large plateaus and extensive valleys. Lima and other major cities such as Trujillo and Chiclayo are located along the coast.

Peru's central coast is occasionally affected by an atmospheric phenomenon known as *El Niño*, which raises the temperature of the superficial coastal waters, causing an increase in air temperature, a decrease in atmospheric pressure along the coast and an increase in the sea level along the Peruvian coastline. These conditions produce increased rainfall in the northern coast, which may result in severe flooding and mudslides. In 1998, the warm waters caused by *El Niño* disrupted Peru's fishing and agricultural industries as marine life migrated to deeper, colder waters, crops were destroyed by the flooding and the elevated temperatures along the coast gave rise to new crop pests and plagues. The flooding also led to approximately US$1.2 billion in damage to Peru's infrastructure.

Peru's southern region is located on seismic faults, which makes the area susceptible to earthquakes. In June 2001, an earthquake measuring 8.1 on the Richter scale struck along the coast of south-central Peru and killed approximately 80 people, injured over 2,700 people and rendered approximately 23,500 people homeless. Another earthquake measuring 7.1 on the Richter scale struck the same area in July 2001. The damage from these two earthquakes is estimated at US$300 million.

Peru's population, estimated to be 26.7 million people as of December 31, 2001, is multi-racial and multi-cultural. Approximately 30.1% of the population is Quechua, 58.1% is Mestizo, or mixed Indian and white, 2.9% is Caucasian and 1.1% is of African descent. Spanish, Quechua, and Aymara are the country's official languages. Almost 99% of the population is Spanish-speaking and approximately 28% resides in rural areas. The population grew at an estimated average rate of 1.7% per year in the period from 1988 to 2001.

Peru's adult literacy rate is approximately 87.7%. In 2001, approximately 96.5% of children ages 6 to 11 attended school, while attendance of children ages 12 to 16 was 88.1%. Approximately 435,637 students were enrolled in Peru's 75 universities, of which 44% are public and the rest private. There are 19 private universities and 7 national universities in Lima, including the *Universidad Nacional de San Marcos*, or National University of San Marcos, which was founded in 1551 and is the oldest university in South America. The Republic also maintains universities in Arequipa, Cuzco and Trujillo. Approximately 20.8% of Peruvians between the ages of 17 and 25 pursued higher education during the 2000 school year.

The World Bank classifies the Republic of Peru as a lower-middle-income developing country. The following table sets forth comparative GNP figures and other selected comparative statistics for the periods indicated.

[Update table or verify continued accuracy]

	Peru	Argentina	Bolivia	Brazil	Chile	Colombia	Ecuador	United States	Venezuela
Per capita GNP(1)	US$4,387	US$11,324	US$2,193	US$6,317	US$8,370	US$5,709	US$2,605	US$30,600	US$5,268
United Nations index of human development (world ranking)(2)	73	34	104	69	39	62	84	6	61
Life expectancy at birth (in years)(2)	68.5	73.2	62.0	67.5	75.2	70.9	69.8	76.8	72.7
Infant mortality (% of live births)(3)	3.9%	1.8%	5.9%	3.2%	1.0%	2.3%	2.8%	0.7%	2.0%
Adult literacy rate(2)	88.5%(8)	96.7%	85.0%	84.9	95.6%	91.5%	91.0%	99.0%	92.3%
% of households below the poverty line(4)	54.1%(9)	N/A	51.4%(6)	25.4(6)	18.4(5)	28.7%(5)	52.3%(7)	N/A	44.6%(6)

(1) 1999 data, adjusted to reflect differences in purchasing power. *Source:* World Bank, *World Development Report 2000/2001*.
(2) 1999 data. *Source:* United Nations Development Program, *Human Development Report 2001*.
(3) 1999 data.
(4) The poverty line used in this prospectus is defined as a monthly income of US$60 per capita per household (or a daily income of US$2 per capita per household), adjusted to reflect differences in purchasing power.
(5) 1996 data.
(6) 1997 data.
(7) 1995 data.
(8) 2000 data. *Source:* INEI.
(9) 2000 data. *Source: Fondo Nacional de Compensación y Desarrollo Social* (Foncodes).
N/A = Not Available.
Source: World Bank, *2001 Development Indicators*, unless otherwise indicated.

History, Government and Political Parties

History

Beginning in the ninth millennium B.C., several developed cultures settled in Peru, including the Chavín, Sechín, Chimú, Mochica, Paracas, Nazca, Tiahuanaco and Wari. In the twelfth century A.D., the Quechua-speaking Inca settled around the Cuzco Valley. By the time the Spanish arrived in 1531, the Inca had created an empire that encompassed areas of modern Peru, Ecuador, Bolivia and Colombia. In 1533, the Spanish captured the Inca capital at Cuzco and by 1542 had consolidated their control over the entire Inca territory. In 1542, the Spanish established the viceroyalty of Lima, which governed vast portions of Spanish territorial possessions in South America.

Peru remained under Spanish rule until 1821, when José de San Martín proclaimed independence, although the Spanish were not finally defeated until 1824. In the first two decades of the post-independence era, political fragmentation and political instability plagued the country. Peru was ruled by at least twenty-four regimes between 1821 and 1845. During this period, the constitution was rewritten six times. In the 1840s, the country initiated a period of extraordinary economic growth driven by the exportation of *guano*, a form of fertilizer obtained from the droppings of birds in the Chincha Islands.

In 1879, Peru allied itself with Bolivia to fight an unsuccessful war against Chile over the disputed nitrate-rich Atacama Desert. This war, known as the War of the Pacific, ended in 1883 with the signing of the Treaty of Ancón, in which Peru ceded to Chile in perpetuity the nitrate-rich province of Tarapacá and relinquished, for a period of ten years, the provinces of Tacna and Arica. Tensions over these two provinces continued until 1929, when the United States brokered a deal that returned the province of Tacna to Peru but allowed Chile to retain control over the province of Arica.

From 1895 to 1914, Peru experienced political stability and economic growth. In 1914, Colonel Oscar Raimundo Benavides (1914-15, 1933-39) orchestrated a military coup that ended almost two decades of uninterrupted civilian rule. In the early stages of World War I, Peru experienced a recession as the war temporarily cut the country off from its export markets. When overseas trade resumed, demand for Peru's export products increased dramatically and the country suffered a period of sustained inflation. This inflation had a particularly negative impact on Lima's working classes and led to a wave of labor strikes in 1918 and 1919.

In 1919, Augusto Leguía y Salcedo (1908-12, 1919-30) began an eleven-year rule, known as the *oncenio roman* and created a new, progressive constitution adopted in 1920 that enhanced the power of the state to carry out a number of popular social and economic reforms. The regime weathered a brief postwar recession and then generated considerable economic growth by opening the country to foreign loans and investment. Leguía's popularity waned, however, as a result of a border dispute with Colombia involving territory in the rubber-tapping region between the Río Caquetá and the northern watershed of the Río Napo. Under the U.S.-brokered Salomón-Lozano Treaty of March 1922, the Río Putumayo was established as the boundary between Colombia and Peru.

During the 1930s, a popular movement, with origins in Mexico, known as the *Alianza Popular Revolucionaria Americana* or American Popular Revolutionary Alliance, which we refer to in this prospectus as the "APRA," spread to Peru under the leadership of Víctor Raúl Haya de la Torre. This continent-wide popular alliance quickly became a prominent center-left political party in Peru and a strong antagonist to Peru's armed forces. In the presidential election of 1931, Luis Sánchez-Cerro (1931-33) defeated APRA's Haya de la Torre, who accused Sánchez-Cerro of fraud. In July 1932, APRA followers staged a popular rebellion in Trujillo, which resulted in the execution of some sixty army officers and the deaths of at least 1,000 APRA members and their sympathizers.

Despite the political turmoil, Peru's economy was one of the least affected by the Great Depression, because of Peru's relatively diversified range of exports, led by cotton, lead and zinc. Unlike many other Latin American countries that adopted import-substitution industrialization measures to counteract the effects of the Great Depression, Peru made relatively few alterations in its long-term model of export-oriented growth.

In 1939, Manuel Prado Ugarteche (1939-45), a Lima banker from a prominent family and son of a former president, was elected president. He was soon confronted with a border conflict with Ecuador that led to a brief war in 1941. The conflict dated back to the post-independence period. Following independence, Ecuador had been left without access to either the Amazon River or the region's other major waterway, the Río Marañón, and thus, without direct access to the Atlantic Ocean. In an effort to assert its territorial claims in a region near the Río Marañón in the Amazon Basin, Ecuador's military occupied the town of Zarumilla along its southwestern border with Peru. The Peruvian army responded and defeated the Ecuadorian army. For a discussion of Peru's relations with Ecuador, see "—Foreign Policy and Membership in International and Regional Organizations—Relations with Ecuador" below.

During the 1950s and 1960s, Peru experienced export-led growth and increased national and foreign investment. During this time, many peasants migrated to the coast, the center of the country's economic growth. As a result of heavy migration, the population of metropolitan Lima increased to over 1.6 million in 1961 from 100,000 in 1940.

In 1968, Peru returned to military rule when General Juan Velasco Alvarado (1968-1975) overthrew elected President Fernando Belaúnde Terry of *Acción Popular*, which we refer to in this prospectus as the "AP." Velasco implemented an extensive program of agrarian reform and nationalized the fishmeal and oil industries, petroleum companies, and several banks and mining companies. General Francisco Morales-Bermúdez Cerruti replaced Velasco in 1975. He presided over the transition to civilian rule and the drafting of a new constitution in 1979.

In 1980, voters reelected Belaúnde in the first popular elections since 1968. Belaúnde attempted to cut spending and dismantle many of the military government's populist reforms. Soaring inflation and unemployment, however, made it difficult to curb public spending. At the same time, Belaúnde's government was destabilized by the rise of subversive movements.

The *Sendero Luminoso*, which we refer to in this prospectus as the "Shining Path," was founded in 1970 as an offshoot of the Peruvian Communist Party. The group espoused Maoist ideology and initiated terrorist activities in 1980 as a means of overthrowing the government. The *Movimiento Revolucionario Túpac Amaru*, or Tupac Amaru Revolutionary Movement, which we refer to in this prospectus as "Tupac Amaru," was founded in 1984 as a radical leftist organization that promoted communal ownership of property and advocated an armed struggle against capitalism. These two groups took advantage of mounting social unrest produced by 12 years of military rule and growing class consciousness among indigenous communities to recruit members. They raised funds by establishing a financial alliance with drug traffickers and protecting expanding coca fields. Drawing on these funds, the Shining Path and Tupac Amaru waged a guerilla war against the government and engaged in rural terrorism. The social crisis in the country in the early 1980s was exacerbated by a sharp drop in international commodity prices and the *El Niño* weather phenomenon of 1982-1983, which led to a deepening recession and increasing social instability.

Alan García Pérez of the center-left APRA party won the presidency in 1985. The García administration was plagued by terrorist activity and allegations of corruption. President García pursued a populist agenda, financed by substantial increases in government spending that led to a record 7,650% inflation rate in 1990. He attempted to nationalize banks and limited Peru's debt service payments to no more than 10% of exports. In response, international creditors refused to extend new credits to the Republic. During the García administration, GDP decreased by 20% compared to levels achieved in the early 1980s.

In 1990, voters elected Alberto Fujimori of the *Cambio 90* party as president. Fujimori implemented a comprehensive neo-liberal economic program based on fiscal discipline, a stable monetary policy and aggressive privatization of state-owned industries. These initiatives succeeded in curbing inflation, reducing public external debt and fostering economic growth. For a discussion of Fujimori's economic policies, see "The Economy—History and Background." Fujimori also launched a successful campaign against the terrorism of the Shining Path and Tupac Amaru guerrilla movements. In 1992, the army captured the Shining Path's leader, Abimael Guzmán, and the terrorist group's other principal leaders. In 1997, the Peruvian armed forces killed several Tupac Amaru leaders, including its principal leader Néstor Cerpa Cartolini, in a rescue operation to free hostages being held by Tupac Amaru at the Japanese Embassy in Lima. For a description of subversive activity in Peru, see "—Subversive Activity" below.

Despite Fujimori's economic and military successes, his harsh governing style created significant congressional opposition. On April 5, 1992, Fujimori dissolved Congress and called for a popular referendum on amending the Constitution. The new 1993 Constitution gave the President authority to issue emergency decrees relating to economic and financial matters, if such decrees are in the national interest and do not relate to tax matters. Emergency decrees have the force of law and do not require previous legislative approval, although Congress may subsequently modify or derogate such decrees. Under the 1993 Constitution, Congress may censure or obtain a no-confidence resolution against the President's *Consejo de Ministros*, which we refer to in this prospectus as the "Council of Ministers," forcing the removal of all the members of the Council of Ministers. The President may not dissolve Congress in the last year of its mandate. Additionally, the 1993 Constitution allows presidents to serve for two consecutive terms, which was prohibited under the prior 1979 Constitution. Fujimori called for new congressional elections in 1993 and was reelected for a second term in 1995.

Following his dissolution of Congress in 1992 and the adoption of the 1993 Constitution, Fujimori centralized power in the hands of the presidency, thus undermining legal mechanisms of accountability, strengthening the powers of the military and intelligence service, and compromising the autonomy of the legislature, judiciary and the media. This debilitated Peru's political system, fostered widespread political corruption, and, in the latter years of Fujimori's administration, undermined the success of his economic program.

In 1995, Peru and Ecuador fought a brief war over a disputed area of their border. This dispute dated back to the *Protocolo de Río de Janeiro of 1942*, which we refer to in this prospectus as the "Rio de Janeiro Protocol," a treaty between Peru and Ecuador signed after the brief war these countries fought in 1941. The dispute was finally settled in 1998. For a description of this dispute and Peru's relations with Ecuador, see "—Foreign Policy and Membership in International and Regional Organizations—Relations with Ecuador" below.

Although the 1993 Constitution allows presidents to serve for only two consecutive terms in office, Congress in August 1996 passed an interpretative law clarifying that this limit applied only to presidential terms beginning after 1993. In December 1996, the Constitutional Tribunal, with the vote of only three members, and four justices abstaining, ruled that the 1996 interpretative law did not apply to Fujimori. In May 1997, Congress removed the three justices who voted in favor of this ruling, on the basis that they had exceeded their authority by attempting to issue a binding opinion with the vote of only a minority of the Constitutional Tribunal's members. The president of the Constitutional Tribunal later resigned in protest over Congress' action. On July 28, 2000, Fujimori began a controversial third term as president in the midst of allegations of electoral fraud.

In September 2000, a bribery scandal involving Vladimiro Montesinos, an army captain and lawyer who became an advisor to Peru's intelligence agency and a close ally of Fujimori, gave rise to charges of political corruption within the Fujimori administration. Fujimori responded to increased criticism and mounting protests by calling for new presidential elections to be held in April 2001. He also announced that he would not seek re-election. Weeks later, however, the growing investigation into corruption charges and condemnation of Montesinos and his ties to the President led Fujimori to resign while on a trip to Japan. As a symbolic gesture, Congress decided not to accept Fujimori's resignation, preferring to declare the post of Chief of State vacant due to abandonment and moral incapacity.

Fearing prosecution and claiming that he could not be tried in Peru because of his Japanese citizenship, Fujimori refused to return to Peru. Under the 1993 Constitution, the First Vice President was next in line for the presidency, but Peru's First Vice President had resigned in October 2000, in protest against Montesinos' influence within the Fujimori administration. The Second Vice President also resigned following Fujimori's resignation as a result of his connection to Fujimori and pressure by opposition congressmen. Under the 1993 Constitution, executive authority shifted to Valentín Paniagua Corazao, the president of Congress, who took over as president on November 22, 2000.

Presidential and congressional elections were held on April 8, 2001. In the presidential contest, Alejandro Toledo Manrique of the *Perú Posible* party obtained 36.5% of the vote, former President Alan García Pérez of APRA obtained 25.8% of the vote and Lourdes Flores Nano of the *Unidad Nacional* party, which we refer to in this prospectus as "UN," obtained 24.3% of the vote. In June 2001, Toledo won the presidency in a runoff election against García, receiving 53.1% of the vote to García's 46.9%.

On August 27, 2001, Congress voted to remove Fujimori's presidential immunity. On September 5, 2001, Peru's Attorney General formally charged Fujimori with the murder of 15 people in 1991, and with the forced disappearance and murder of nine students and a professor in 1992. There have been calls by certain political leaders to amend or repeal the 1993 Constitution in order to rescind measures adopted during Fujimori's term, particularly those relating to executive power.

Government

Peru is organized as a representative democracy and is geographically and administratively divided into 24 Temporary Regional Administration Councils, which we refer to in this memorandum as "Regional Councils," which are in turn divided into 193 provinces and the constitutional province of Callao, the country's principal port, adjacent to Lima, and 1,828 districts. Each Regional Council is governed by an administrative official appointed by the President and forms part of Peru's central government. Provinces and districts have their own civil governments, which are independent of the central government.

The 1993 Constitution provides for a presidential system of government in which national powers are divided among independent executive, legislative and judicial branches.

Executive power is exercised by the President, who appoints ministers, enacts the laws passed by the legislative branch and is the commander-in-chief of the armed forces. The President may subscribe to treaties without prior congressional approval, except for treaties relating to human rights, the Republic's sovereignty, national defense, financial obligations to be assumed by the Government and treaties that create, modify, or repeal taxes or overrule existing laws. The President of the Republic is popularly elected for a five-year term. The 1993 Constitution abrogated the ban on presidential re-election and provided that a President may be re-elected to only one consecutive term. Former presidents may seek the presidency again after a presidential term has elapsed. Congress is currently discussing amendments to the 1993 Constitution that would, among other things, reinstate the ban on consecutive presidential terms.

The 1993 Constitution provides for two electoral rounds. If the first round does not yield a majority vote for any one presidential candidate, a majority in the first round being 50% plus one of the total votes cast, a second round is held between the two presidential candidates that obtained the greatest number of votes in the first round. The 1993 Constitution introduced the positions of First and Second Vice President. These officials are popularly elected but have no constitutional functions unless the President is unable to discharge his duties. If the President cannot discharge his duties, the First Vice President assumes the presidency. The Second Vice President assumes the presidency if the First Vice President is unable to discharge his duties.

After the President, executive authority is vested in the Council of Ministers, which is headed by a Prime Minister appointed by the President. The Prime Minister presides over meetings of the Council of Ministers in the absence of the President. The Council of Ministers oversees and coordinates the activities of the Republic's various ministries and must approve all legislative proposals sent by the President to Congress. However, it may not approve laws without the President's approval. Each member of the Council of Ministers may approve ministerial resolutions without the President's consent, but these are regulations that do not have the force of laws approved by Congress and are superseded by laws proposed by the Council of Ministers and approved by the President.

The legislative branch consists of a unicameral congress composed of 120 members who are elected for a five-year term, with all seats subject to re-election at the end of each five-year period. There are 25 electoral districts and the number of members elected by each district is proportional to the district's population. Lima, the most populous district, elects 35 members. The next congressional elections are scheduled for April 2006. In addition to passing laws, Congress is empowered to approve the Government's budget and to approve treaties as described above. Congress may delegate to the executive branch, for definite periods of time, legislative authority over specific matters.

The highest courts in Peru are the 16-member Supreme Court of Justice and the seven-member Constitutional Tribunal. The Peruvian judicial system is also composed of:

- justices of the peace, who preside over district court proceedings related to alimony, landlord-tenant, personal debt, and real and personal property disputes, and who function as arbiters but cannot issue legally-binding decisions;
- courts of first instance, which include civil, penal and special-chamber courts having jurisdiction over all cases not under the express jurisdiction of other courts and a series of specialized courts dealing with matters such as drug-related cases, and which were established to reduce the backlog of cases pending final action in the other courts of first instance;
- military courts, which adjudicate charges of criminal conduct brought against members of the armed forces and the police while discharging their duties, and criminal charges for national treason and terrorism brought against civilians; and
- superior courts, which review judgments rendered by all lower courts, except military courts.

All judges in the Peruvian judicial system, with the exception of the justices of the peace, who are elected by popular vote, and the members of the Constitutional Tribunal, who are elected by Congress, are appointed, and may only be removed, by the *Consejo Nacional de la Magistratura*, or National Council of the Judiciary, which we refer to in this prospectus as the "Judiciary Council." This independent body is composed of nine members who are elected for five-year terms by several national entities, through secret votes, as follows: one by the Supreme Court of Justice, one by the *Junta de Fiscales Supremos*, or Board of Supreme Prosecutors, one by the members of the bar associations, two by the country's other collegiate associations of professionals, one by the presidents of the national universities, one by the presidents of the private universities and two by the Judiciary Council itself. The Judiciary Council reviews and ratifies all judges every seven years, including the members of the Supreme Court of Justice and justices of the peace.

The Supreme Court of Justice has ultimate jurisdiction over all matters adjudicated by the superior courts and over military court rulings in which the death penalty is imposed. Its members must be older than 45 years of age and must retire by age 70. The Judiciary Council may remove, or fail to ratify, a member of the Supreme Court of Justice only because of physical or mental incapacity, or for engaging in conduct incompatible with his or her duties.

The Constitutional Tribunal is the final arbiter of the Constitution. Its members are appointed by Congress for five-year terms, are not subject to re-election and cannot be removed before their term expires, unless Congress determines that a magistrate has:

- become physically incapacitated or morally unfit;
- engaged in conduct incompatible with his or her duties; or
- been adjudicated and found guilty of a crime.

Political Parties

With the exception of APRA and AP, Peru's political parties do not have deep historical roots and often change, merge or dissolve. Currently, the principal political parties in Peru are *Perú Posible*, APRA, UN, AP, *Frente Independiente Moralizador*, which we refer to in this prospectus as "FIM," and *Unión por el Perú*, which we refer to in this prospectus as the "UPP."

The following is a brief explanation of the political orientation of each of these parties.

Perú Posible. *Perú Posible* seeks to promote economic growth through a liberal economic program designed to foster domestic and foreign investment and fiscal and macroeconomic stability, while investing in social programs designed to alleviate poverty and create employment. Peru's current president, Alejandro Toledo, founded the party in 1994. Because this party does not have an absolute majority in Congress, the Toledo administration must seek alliances with members of other parties to enact its policies.

APRA. Initially left wing in its outlook, APRA became a conservative force during the 1950s and is now a center-left party. Alan García, a member of APRA, became President in 1985. Despite the fact that his presidency is associated with hyperinflation and economic mismanagement, García obtained significant support in the 2001 election, forcing a runoff in which Alejandro Toledo prevailed. Although defeated in the latest presidential elections, APRA wields significant political influence, as it is the party with the second highest representation in Congress.

UN. The UN is an electoral alliance formed by three parties: *Partido Popular Cristiano*, *Solidaridad Nacional* and *Avancemos*. It supports socially oriented market policies with a focus on promoting Christian values. In April 2001, Lourdes Flores Nano ran as the UN's presidential candidate.

AP. The AP supports a moderate reform program that emphasizes modernization and development through an activist public sector. Fernando Belaúnde, who served as Peru's president from 1963 to 1968 and from 1980 to 1985, founded the AP in 1956. The AP's membership includes Valentín Paniagua, who became Peru's president during the transition government that followed Fujimori's resignation in 2000. The party continues to base its platform on Belaúnde's governing philosophy.

FIM. The FIM places an emphasis on measures to eliminate and expose corruption in government, promoting an activist Congress that maintains proper checks on executive power. The party's economic platform focuses on reducing income taxes and increasing public sector wages. Fernando Olivera Vega, the former Minister of Justice, founded FIM in 1990.

UPP. The UPP adheres to socially oriented market policies focused on job creation, labor protection and environmental initiatives. Javier Pérez de Cuellar founded the UPP in 1995, when he unsuccessfully challenged Fujimori in the elections. In the 2001 elections, the UPP formed an alliance with two smaller movements, *Movimiento por la Democracia* and *Movimiento Social Demócratas Independientes*.

Congressional representation of each of the political parties since the most recent election in 2001 is as follows:

	Congress	
	Seats	%
Perú Posible	45	37.5%
APRA	28	23.3
UN	17	14.2
Unión Parlamentaria Descentralista[1]	13	10.8
FIM	11	9.2
Independent Parliamentary Group[2]	6	5.0
Total	120	100.0%

(1) Coalition of UPP, *Somos Perú* and AP.
(2) An informal group of independent members of Congress and representatives of *Perú 2000*.
Source: Congress.

Foreign Policy and Membership in International and Regional Organizations

Peru has not been involved in any significant international conflicts since the end of its border dispute with Ecuador in 1998. A brief diplomatic dispute erupted in 2001 between Peru and Venezuela in connection with the capture of the former advisor to Peru's intelligence agency, Vladimiro Montesinos, in Venezuela. The Republic alleged that Venezuela had temporarily hidden and protected Montesinos after formal charges had been brought against him in Peru, a claim that Venezuela denied. Venezuela temporarily severed relations with Peru between June 28 and July 28, 2001, but relations between the two countries have since been completely restored.

The Republic has expressed concern over Japan's refusal to extradite Fujimori to Peru to face charges for homicide and forced disappearance. Japan granted Fujimori citizenship in December 2000 due to his Japanese ancestry and Fujimori has since claimed that as a Japanese national he may not be legally extradited. The Toledo administration will continue to seek Fujimori's extradition, but it does not expect the Republic's commercial and other ties with Japan to be adversely affected by the dispute.

The Republic maintains diplomatic relations with 153 countries and is a member of 150 regional and international organizations including: **[Confirm accuracy or provide new numbers]**

- the United Nations;
- the Organization of American States;
- the Community of Andean Nations, formerly known as the Andean Pact;
- the World Trade Organization, which we refer to in this prospectus as the "WTO";
- the Economic Commission for Latin America and the Caribbean;
- the Latin American Integration Association;
- the IDB;
- the IMF;
- the World Bank;
- the International Finance Corporation;

- the Group of 15;
- the Asia-Pacific Economic Cooperation; and
- the Free Trade Area of the Americas.

Peru joined the General Agreement on Tariffs and Trade in 1951 and is a founding member of the WTO, which was established in January 1995. In addition, Peru participates in several regional initiatives designed to promote trade and foreign investment. The most significant of these initiatives are the following:

- Since 1980, Peru has been a member of the Latin America Integration Association, which promotes and coordinates bilateral trade agreements between its member countries. Under the auspices of this association, Peru has signed preferential tariff agreements with Argentina, Brazil, Cuba, Mexico, Paraguay and Uruguay.

- Since 1990, Peru has been a member of the Community of Andean Nations, which also includes Colombia, Ecuador, Venezuela and Bolivia. The objective of this organization is to promote economic integration and cooperation with a view towards gradual development of a common market by 2005. The common market will provide for the free trade of goods, services, capital and people between its member countries. A tariff reduction schedule has been in place since 1997, which currently applies a 15% to 100% tariff reduction on various products. In April 1998, the Community of Andean Nations signed a framework agreement with the Common Market of the South, or MERCORSUR, whose members are Argentina, Brazil, Paraguay and Uruguay, to create a free trade zone between the two economic blocs. The Community of Andean Nations has also reached bilateral agreements with Brazil and Argentina as a first step towards the creation of free-trade arrangements with these countries.

- Since 1990, Peru has been a beneficiary of the General System of Preferences for the Andean Countries, a program of unilateral trade preferences granted by the European Union that is intended to promote economic development in the Andean region. Under the program, the European Union sets zero tariffs for fishing, agriculture and textile products from Peru. This program was scheduled to expire on December 31, 2001, but was automatically renewed for three more years on December 10, 2001. The renewed program will be in effect from January 1, 2002 until December 31, 2004, when a new round of negotiations on the terms and conditions of the program will take place.

- Since 1991, Peru has been, together with Ecuador and Colombia, a beneficiary of the U.S. Andean Trade Preferences Act, a program of unilateral trade preferences granted by the United States, which is intended to promote export diversification and broad-based economic development as an alternative to drug-crop production in the Andean region. Peru supplies about 42.6% of the products that enter the U.S. market under this program. The Act expired on December 4, 2001. Preliminary data suggests that the expiration of the Act has adversely affected Peru's exports. On August 8, 2002, the U.S. renewed the Act for five years. The renewed Act provides benefits retroactively to December 2001 and expands the Republic's low-tariff benefits to products including Peruvian textiles, footwear, fruits and tuna.

- In 1994, the Republic participated in the Summit of the Americas in Miami, which led to the establishment of the Free Trade Agreement of the Americas. This agreement seeks to create a free trade zone in the Western Hemisphere by 2005, which, if implemented, would grant preferential treatment to Peruvian goods and services exported to other member countries.

- In June 1998, Peru signed an agreement with Chile as a first step towards establishing a free-trade zone with this neighboring country. This agreement, which took effect on July 1, 1998, gradually eliminates all custom duties between the two countries, provides for a substantial reduction in tariffs over a ten-year period and establishes a framework for cooperation in the areas of foreign investment, customs procedures, tourism, services trade, dispute resolution and sanitary requirements.

- Since November 1998, Peru has been a member of the Asia-Pacific Economic Cooperation, which aims to achieve free trade in the Asia-Pacific region through a progressive reduction in member countries' tariffs. This organization establishes trade rules in areas of foreign investments, rules of origin, customs procedures, technical barriers to trade, unfair trade practices, promotion of competition, intellectual property and dispute resolution.

Relations with Ecuador

Peru has had several territorial disputes with Ecuador dating back to colonial times. A significant military clash occurred in 1941, which came to an end in 1942 with the signing of the Rio de Janeiro Protocol. This settlement, sponsored by Argentina, Brazil, Chile and the United States, established territorial limits between the two nations but failed to delineate clearly the countries' border in a 78-kilometer section of the Andean foothills. Further disputes over the border in this region led to additional clashes in 1981 and 1995. In the latest clash, thousands of soldiers from both sides fought an intense but localized war in the disputed territory of the upper Cenepa valley.

A peace agreement brokered in February 1995 by the four sponsors of the Rio de Janeiro Protocol led to the cessation of hostilities and established the Military Observers Mission to Ecuador-Peru to monitor activities in the disputed zone. In 1996, Peru and Ecuador began a series of meetings that led to the 1998 Brasilia Agreement, which defined the border in the disputed area. The agreed upon border tracks the peaks of the *Cordillera del Cóndor* mountain range. The 1998 Brasilia Agreement granted Ecuador private ownership of a hill known as Tiwinza, but it was agreed that the hill would remain under Peruvian sovereignty. In May 1999, a complete demarcation of the border was completed. The 1998 Brasilia Agreement also established terms of bilateral trade and navigational understandings between the two nations and created the Bi-National Commission for Border Integration. This commission led to the launch of a US$3.0 billion regional development program to improve social and economic conditions along the border.

Peru currently maintains strong political and economic relations with Ecuador. The two governments have signed further agreements on border development, navigation, security and trade. On July 30, 1997, Peru reached an agreement with the other members of the Community of Andean Nations for its full incorporation into the Community of Andean Nations' Free Trade Area. The Community of Andean Nations approved a tariff reduction schedule that became effective on August 1, 1997 and which will end no later than 2005. As part of this process, Peru and Ecuador signed the Agreement on Acceleration and Further Development in October 1998 and the corresponding Instrument of Execution in August 1999, allowing the elimination of tariffs between the two countries on a variety of exports in 2003.

Subversive Activities

In the 1980s and early 1990s, the Shining Path and Tupac Amaru conducted indiscriminate bombings and selective assassinations in Peru. From 1980 to 1995, the Republic estimates that the Shining Path's terrorist activities led to the death of over 25,000 people. The capture in 1992 of the Shining Path's leader, Abimael Guzmán, his subsequent life sentence and the jailing of most of the organization's central committee, considerably weakened the Shining Path.

In December 1996, Tupac Amaru assaulted the residence of the Japanese ambassador to Peru and held 42 hostages for more than four months. In April 1997, Peruvian armed forces stormed the residence, rescued all but one of the remaining hostages and killed 14 members of the group, including Néstor Cerpa Cartolini, the group's leader. As a result of that defeat, the group weakened dramatically and no longer poses a significant terrorist threat.

Between 1996 and 2000, there were several violent incidents in Peru's jungles, but there is no evidence that these incidents were connected to the activities of the Shining Path or Tupac Amaru. In 2001, there were a few signs of terrorist activities. In August 2001, individuals believed to be members of the Shining Path killed four police officers in the Amazon province of Satipo. In November 2001, the *Ministerio del Interior*, or Interior Ministry, announced that it had thwarted a plan to attack the United States embassy in Lima. In December 2001, terrorists believed to be members of the Shining Path bombed an electricity tower 30 miles east of Lima. In response to these possible signs of terrorist activity, the U.S. State Department issued a public announcement in December 2001 advising U.S. travelers to Peru and U.S. residents of Peru to exercise caution when in the country.

In March 2002, three days before a visit to Lima by U.S. President George W. Bush, a car bomb exploded at a Lima shopping center across the street from the U.S. Embassy, killing ten and wounding 30 persons. Of the three suspects arrested for the incident, two were members of the Shining Path. In response to the incident, the U.S. State Department issued another warning alerting U.S. travelers to Peru of the continued potential for terrorist activity in Peru.

Although the Shining Path is no longer as powerful as it was during the 1980s and early 1990s, an estimated 300 to 400 members still operate in remote Upper Huallaga and Apurimac valleys, where military patrols have decreased due to military spending cutbacks. Shining Path members have formed alliances with coca farmers and drug traffickers in these drug-growing areas to provide armed protection against the Government's interdiction efforts. In response to this activity, security forces in Peru continue to monitor subversive activities and have maintained their efforts to prevent the resurgence of a significant terrorist threat, including reactivating anti-terrorist bases in the valleys and heightening security in Lima. We cannot, however, assure you that there will not be a resurgence in terrorism of Peru, or that, if there is such a resurgence, it will not have a material adverse impact on the economy and prospects of the country.

Anti-Narcotics Efforts

In the 1970s and 1980s, Peru experienced a surge in coca cultivation, becoming, until the mid-1990s, the world's largest coca producer. Coca cultivation was initially concentrated in the Upper Huallaga valley but later expanded to other regions of the country as international demand for cocaine increased and traffickers and terrorists formed alliances to protect cultivation.

Beginning in 1970s, the Republic worked to reduce illegal drug production, traffic and consumption. In 1996, the Government established *Contradrogas*, a government agency responsible for designing, coordinating, planning and supervising the Government's anti-narcotics efforts. This agency is also responsible for securing and negotiating the terms of financial assistance from foreign governments and international organizations directed to Peru's anti-narcotics programs. The agency has collaborated with several countries and international agencies, including the U.S. Agency for International Development, or USAID, to implement alternative development programs in the leading coca-growing areas of the country.

The Government's coca alternative development program, together with interdiction by the Peruvian air force, eradication of coca fields and laboratories, seizures of drugs and precursor chemicals, effective prosecution of drug traffickers and a significant reduction in international demand for cocaine, have contributed to a significant reduction in drug cultivation and production in Peru. From 1997 to 2001, there was an overall 51% reduction in coca cultivation, from approximately 68,800 hectares under cultivation in 1997 to 34,000 hectares by the end of 2001.

During 2001, however, evidence of an increase in the production of coca and poppies, the source of heroin, has emerged. Peru's coca crop remained stable, covering 34,000 hectares, a similar figure to that for 2000, despite the eradication of 6000 hectares in 2001. In addition, 135 hectares of poppies, the source of heroin, were eradicated in 2001, up from 26 hectares in 2000. Estimates of the poppy crop are sketchy as poppies grow at high altitudes, above the ceiling of police helicopters.

The increase is attributable to a shift in production from Columbia to Peru as Columbia's government has stepped up the eradication of drug crops and the price of suitable substitute crops for Peruvian farmers, such as coffee, have dropped below the cost of production. U.S. officials have acknowledged the affect on Peru of Columbia's stepped-up drug eradication efforts and tripled anti-drug aid for Peru in 2002 to US$156 million. In June 2002, however, the Government agreed to suspend coca eradication programs in the Huallaga River valley and in August 2002 agreed to ease eradication operations in the Ene-Apurimac river basin in response to protests by coca farmers, claiming that private organizations that run anti-coca programs absorb aid money provided by USAID and poor coca farmers see little benefit. The Huallaga region and the Ene-Apurimac river basin accounted for nearly 65% of Peru's coca cultivation in 2001.

To prevent money laundering in connection with drug trafficking and other activities, the Republic requires financial institutions to conduct employee training in preventive methods, obtain basic knowledge about their clients and adhere to a code of conduct.

THE ECONOMY

History and Background

Between 1930 and the mid-1960s, Peru had one of the most successful economies in Latin America. During this time, Peru generally deviated from the import substitution model adopted by other countries in the region. Instead, Peru adhered, except for brief intervening periods, to laissez-faire, non-interventionist economic policies. The Government encouraged foreign investment through tax incentives and legislation guaranteeing equal treatment of foreign and domestic investors. Aided by its main exports, consisting of fish and fish products, copper, petroleum and agricultural products, Peru's economy grew steadily during this period.

Beginning in the mid-1960s, the Peruvian economy sustained a series of setbacks. Public sentiment began to turn resolutely against foreign investment. Pressure for change in economic policies increased as a result of:

- class and social conflicts, characterized by populist resentment against the small economic elite that ruled the country and against the presence of foreign companies in industries related to Peru's national resources, such as petroleum and mining, and in other prominent sectors of the economy;
- an economic slowdown brought about by a reduction in production and exports due principally to a sudden drop in fish catch and reduced mining and metal processing following the exhaustion of a number of the principal copper and other mines; and
- increased cost of living brought about by higher domestic food prices.

In 1968, the military government headed by General Juan Velasco Alvarado nationalized numerous private enterprises and conducted a campaign against foreign participation in the Peruvian economy. In 1969, the Velasco administration enacted the *Ley de Reforma Agraria*, or Agrarian Reform Law, which took away large estates from wealthy owners and turned them into cooperatives run by the former workers of the estates, and also adopted high tariffs in order to shield local industry and manufacturing from foreign competition.

Peru's currency became overvalued, making exports less competitive, and its debt grew sharply during the 1970s. The country experienced large current account deficits and the Velasco administration borrowed abroad to finance these deficits rather than change its policies. Many cooperative farms, operated by people with little management experience, went bankrupt and agricultural production suffered.

In 1975, General Francisco Morales-Bermúdez Cerrutti implemented an economic austerity program designed to correct the economic disequilibrium reflected in the country's fiscal and current account deficits and its high external debt burden. The Government implemented fiscal and monetary restraints and devalued the currency. These measures coincided with increases in world prices of Peru's main exports. The fiscal deficit narrowed and by 1979 Peru had achieved a significant current account surplus.

In 1980, the civilian government led by Fernando Belaúnde reinstituted high spending and borrowing but was forced to adopt more restrained spending policies in later years. Alan García Pérez, who assumed the presidency in 1985, brought the country to a deepening economic crisis. García increased spending, declared a debt moratorium and attempted to nationalize the banking system and other key industries. Private investment collapsed, the public sector deficit increased and exports dwindled. By 1990, the inflation rate had increased to 7,650%, net international reserves had been completely depleted and the economy had entered its third year of recession. The García administration was also beset by the terrorist activities of the Shining Path and Tupac Amaru.

In 1990, Alberto Fujimori, a university professor, won the presidency on a campaign platform that emphasized his "outsider" status and his opposition to "traditional" politicians. Fujimori inherited an economy beset by recession, hyperinflation and high levels of external debt. Fujimori immediately moved to cut public spending, increase taxes, tame inflation and open domestic markets to foreign investment.

Within the first few years of his presidency, the Fujimori administration dismantled protectionist and interventionist laws and policies to create a liberal economy dominated by private sector and market forces. In order to encourage foreign investment, the Fujimori administration undertook an ambitious privatization program, strengthened and simplified the country's tax system, opened the country to foreign investment and lifted exchange controls and restrictions on remittances of profits, dividends and royalties. While the Fujimori administration succeeded in privatizing many state entities, the privatization program waned in the later years of the administration because of adverse market conditions and the President's adoption of a more populist stance prior to the 2000 elections.

As time went on, Fujimori's administration became increasingly authoritarian, as evidenced by his dissolution of Congress in 1992, his consolidation of power in the hands of the presidency following adoption of the 1993 Constitution and his allegiance with Vladimiro Montesinos. Fujimori's authoritarianism exacted a price on Peru's political system and undermined the success of his economic program. The Fujimori administration eventually failed to redistribute the benefits of economic growth to the poor and, in the last years of the administration, provoked civil unrest and political instability, which deterred foreign investors.

On November 20, 2000, President Fujimori resigned his post and Valentín Paniagua assumed the presidency on a provisional basis. The Paniagua administration adopted fiscal policies to reduce spending, restore confidence, reform the tax system and otherwise stabilize the economy.

In June 2001, the Peruvian people elected Alejandro Toledo Manrique to the presidency based on a platform that rejected Fujimori's legacy of political coercion and financial misdealings, but still recognized the value of an open economic system. President Toledo vowed to restore democracy, fiscal discipline and transparency to the government, while increasing the living standards of the poor and disadvantaged, who constitute a majority of the population, through improvements in education, health and employment opportunities. He also promised to continue the economic reforms and privatization program first advanced by the Fujimori administration.

Toledo assumed the presidency in July 2001 against a backdrop of high unemployment and underemployment, economic recession and social need more severe than had been acknowledged by the Fujimori administration. Despite the economic strides achieved between 1990 and 2000, poverty remains a persistent problem in Peru, with more than half of the population living below the poverty line—a monthly income less than US$60 per capita per month, adjusted to reflect differences in purchasing power, which is the definition of poverty used by the World Bank—and an increasing number living on an income of less than US$30 per capita per month.

President Toledo implemented a number of proposals to stimulate the Republic's economy, including privatization and fiscal austerity programs. Toledo's policies spurred moderate economic growth in the fourth quarter of 2001 and the first quarter of 2002. Despite this economic growth, the Toledo administration faced social protests and unrest spurred by disappointment that the President's policies had not immediately led to a significant reduction in the high rates of underemployment, unemployment and poverty.

In an effort to maintain his political alliances and quell public unrest, Toledo changed his cabinet. At the beginning of July, several ministers viewed as proponents of neo-liberal economic policies resigned their posts, including Prime Minister Roberto Dañino and Finance Minister Pedro Pablo Kuczynski whose pro-private investment policies had angered many Peruvians. On July 12, President Toledo swore in a new cabinet, including Luis Solari as Prime Minister, Allan Wagner Tizón as Foreign Minister, and Javier Silva Ruete as Finance Minister.

Developments from 1997 to 2001

Introduction

During the period from 1997 to 2001, Peru experienced intermittent periods of economic growth and contraction. The economy continued to grow strongly in 1997, but contracted moderately in 1998 and sharply in 1999. The economy rebounded, growing moderately in 2000 and stagnating in 2001. Set out below is a discussion of the trends and events affecting economic results during the period.

1997

GDP growth in 1997 was spurred by the Fujimori administration's strategy of macroeconomic adjustment and structural reform. The main aspects of this strategy were:

- lowering inflation;
- improving fiscal results through the strengthening of tax administration and conservative fiscal expenditure policies;
- narrowing of the current account deficit;
- managing the exchange rate system consistent with the Government's inflation and balance of payments objectives; and
- deepening of structural reforms, including through privatization, reform of the pension system and trade liberalization.

Real GDP grew by 5.5% in 1997, reflecting increases in private and public sector investment, exports and consumer confidence. Foreign investment grew during this period as a result of privatization and capital investment. Inflation fell to 8.5%, the lowest level Peru had achieved during the preceding 25 years. The net international reserves of the Central Bank increased 19.7% in 1997 to US$10.2 billion. Peru also successfully completed a debt and debt-service reduction package with its commercial creditors in 1997.

1998 and 1999

In 1998 and 1999, the Peruvian economy suffered a sharp reversal. This downturn in economic activity reflected the occurrence of several external shocks, including:

- The Asian crisis, which began at the end of 1997 after several Asian countries encountered severe economic problems and were forced to devalue their currencies and, in some instances, default on their debt. Foreign investors retreated from investing in emerging markets as a whole, even Latin American markets, such as Peru, that were located far from the locus of the crisis.
- The Russian crisis in late 1997 and 1998, which arose when Russia devalued its currency and defaulted on its debt. This crisis exacerbated the lack of investor confidence in emerging markets provoked by the Asian crisis.
- Ill effects stemming from *El Niño* in 1998, which had an adverse impact on the agriculture and fishing industries in Peru.
- The devaluation of the Brazilian *real* in 1999 after Brazil encountered economic problems and the consequent regional contagion affecting Argentina and other neighboring countries.

In addition, a decrease in fishing, agricultural production and commodity prices led to a decrease in exports. The Fujimori administration's tight monetary and fiscal policies exacerbated these economic problems. GDP contracted 3.3% in 1998 and 9.3% in 1999. The downturn in the economy during these years depressed the banking sector and led to a credit crunch and increasing bad loan portfolios. Nonetheless, the presence of foreign banks in the system, strict provisioning requirements and a federal program to facilitate commercial debt restructuring helped the banking system endure the crisis more successfully than did other banks in the region during the same period.

2000

During 2000, GDP grew 3.6%, spurred by growth of 5.45% during the first half of 2000, which shrunk to 0.85% during the second half of 2000, as compared to the corresponding periods in 1999. The growth in the first half of the year resulted from increased government expenditures and investment that Fujimori adopted to gain support for his third presidential bid. Economic growth stagnated following Fujimori's controversial election to a third term in May 2000, primarily as a result of the political controversy that led to Fujimori's resignation in November 2000 and of cutbacks in government spending in an attempt to balance the Republic's fiscal accounts.

The fiscal deficit expanded in 2000 due to lower-than-expected tax receipts and an increase in expenditures. Bank credit declined and bank loan quality continued to deteriorate. The current account deficit totaled US$1.6 billion by the end of 2000, representing 2.9% of GDP.

The pace of the Government's privatization program slowed during the years prior to the 2000 election, even as privatization proceeds could have helped bridge the current and fiscal account deficits. This was due to Fujimori's turn toward more populist policies ahead of the 2000 election and to poor market conditions.

2001

Despite the Government's efforts to stabilize the economy following Fujimori's resignation in November 2000, the economy grew only 0.2% during 2001. This nearly flat growth was primarily due to a reduction in public spending, as the Government sought to stabilize the Republic's fiscal accounts following Fujimori's spending increase leading to the 2000 elections. Uncertainty during the first half of 2001 over the outcome of the elections scheduled for April 2001 and the lack of investor confidence and private investment in the Latin American region also contributed to the economic downturn during this period.

The following are the economic results for 2001:

- the consolidated public sector fiscal deficit was 2.5% of GDP;
- the average inflation rate for 2001 was 2.0%, as compared to 3.8% for 2000;
- the net international reserves of the Central Bank increased 5.3% to US$8.6 billion, as compared to US$8.2 billion as of December 31, 2000; and
- the current account deficit decreased 30.2% to US$1.1 billion, as compared to a US$1.6 billion current account deficit for 2000.

2002

First Three Months of 2002

During the first three months of 2002, the economy grew an estimated 3.0%, compared to the first three months of 2001 during which Peru was experiencing a recession. This growth resulted from improvements in a few narrow sectors, primarily mining, as production from *Antamina*, the world's largest copper and zinc mining project, increased and from construction and other sectors benefiting from increased public building projects. Mining accounted for almost a third of GDP growth in the first quarter of 2002, despite its relatively small contribution to the public sector.

The current account deficit during the first three months of 2002 decreased 29.7% to a deficit of US$343 million, as compared to a current account deficit of US$488 million for the first three months of 2001. This reduction was largely a result of a reduced trade balance. Additionally, inflation during this period fell to –0.02%.

Argentina Crisis

Argentina is currently experiencing a severe economic crisis and political and social unrest, leading more recently to a moratorium on Argentina's payments under its public external indebtedness. Negative investor reaction to developments in Argentina could adversely affect the market for securities issued by countries in the region, cause foreign investors to decrease the flow of capital into Latin America and cause uncertainty about plans for further integration of regional economies, all of which could potentially affect Peru.

The Economic Policies of the Toledo Administration

Upon taking office in July 2001, the Toledo administration faced continuing economic weakness that was more severe than had been acknowledged by the Fujimori administration.

The Toledo administration's focus on improving social conditions created high expectations among Peru's lower classes that improvement would result quickly. Although President Toledo's policies led to moderate economic growth in the fourth quarter of 2001 and the first quarter of 2002, many were still disappointed that social change was not immediate. As a result, Peruvians, desperate for jobs, began to protest privatization and large industrial projects. In response, Toledo replaced six ministers who had most favored neo-liberal policies, including the Prime Minister and the Finance Minister, whose pro-private investment policies angered many Peruvians.

Despite public opposition to the Toledo administration's neo-liberal economic policies, the Toledo administration established and continues to support the following priorities:

- achieving and sustaining economic growth;
- increasing exports of Peruvian goods;
- reducing unemployment, underemployment and poverty;
- reforming the tax system, primarily by eliminating and not renewing a number of tax exemptions and improving tax collection mechanisms;
- fostering private investment by reinvigorating structural reforms and promoting investment through concessions, joint ventures and other similar business forms;
- increasing public investment in education, public health, job training, low-income housing and other social programs, while reducing overall public spending;
- maintaining low inflation and a floating exchange rate system;
- improving the efficiency of the pension system by fostering participation in the private pension system;
- stimulating growth in private sector credit by enhancing creditors' rights;
- reducing public sector debt;
- improving oversight of the financial system and adopting transparency guidelines and requirements in regulated sectors of the economy;
- improving the efficiency of the public sector; and
- maintaining open trade policies.

These priorities are the basis for various projects and initiatives that the Toledo administration has pursued since assuming office. These projects and initiatives include the following:

- adopting a private investment promotional program for 2002;
- submitting a 2002 budget, approved by Congress in November 2001, that projects a fiscal deficit of 2.2% of GDP, as compared to the 2.3% of GDP fiscal deficit for 2001;
- increasing the corporate income tax rate from 20% to 27%;
- reducing the payroll tax, known as the Extraordinary Solidarity Tax, from 5% to 2%;
- initiating a temporary-jobs placement program in impoverished areas of the country;
- increasing public sector wages 9%;
- creating an agrarian bank to provide the agricultural sector with greater access to credit;
- transforming *Mivivienda*, a public development fund offering subsidized mortgages, into a mortgage securitization agency, with the goal of increasing mortgage lending and addressing the scarcity of affordable low-income housing; and
- securing a commitment from a group of donors composed of 18 countries and eight international organizations to provide the Republic with US$1.8 billion for social and economic development programs.

The Toledo administration has established key economic targets for 2002, which include:

- GDP growth of 3.5% to 4.0%;
- a consolidated public sector deficit of 2.2% of GDP;
- net international reserves of the Central Bank of approximately US$9.3 billion by the end of 2002;
- a current account deficit of 2.0% of GDP; and
- 2.0% inflation.

These targets have been reflected in a letter of intent that the Republic negotiated with the IMF. In light of the suspension of the privatization program, the Republic recently negotiated with the IMF a target fiscal deficit of 2.2% of GDP for 2002 and 2003, as opposed to the initial 1.9%. For a description of the letter of intent, see "Public Sector Debt—External Debt" below.

Gross Domestic Product and Structure of the Economy

During the period from 1997 to 2001, private consumption and gross investment were highest in 1997 and have declined since that time. Private consumption fluctuated from 1998 to 2001, while gross investment gradually decreased over the same period. The overall decrease in private consumption and gross investment after 1997 reflected a decrease in the confidence of foreign investors and Peruvian consumers. Modest increases in government consumption and in exports throughout the period partially offset the declines in private consumption and private investment. The increase in government consumption was spurred by the adoption of more populist measures by the Fujimori administration in the later years of the administration and higher spending prior to the 2000 elections. The increase in exports after 1997 reflected recuperating export commodity prices and a rebound from the ill effects of *El Niño* on agricultural and fishing exports.

During 2001, private consumption increased, as consumers did not adjust their spending to the downturn in economic activity. Gross investment decreased as a result of capital flight during the first part of the year when the uncertainty of the April 2001 elections deterred capital investment. Exports decreased slightly during this period due to a decrease in the provision of services resulting principally from a reduction in revenues generated in the travel, transportation, insurance and reinsurance sectors, as well as greater austerity in non-financial public sector spending.

For the three-month period ending March 31, 2002, private consumption increased as compared to the same period in 2001, due to increased imports of non-durable consumer goods and greater sales of agricultural products, food and drinks. Gross investment decreased during this period because of hesitance by investors to enter into the Peruvian market and Latin American markets generally. Exports decreased during this period as compared to the first three months of 2001 due to a decrease in sales in certain non-traditional categories. **[Please explain what this category includes].**

The following tables set forth GDP by expenditure for the periods indicated.

Gross Domestic Product by Expenditure
(in millions of U.S. dollars, at current prices)

						For the first 3 months of:	
	1997	1998(1)	1999(1)	2000(1)	2001(1)	2001(1)	2002(1)
Government consumption	US$ 5,797	US$ 6,004	US$ 5,626	US$ 5,979	US$ 6,035	US$ 1,342	US$ 1,401
Private consumption	41,521	40,542	36,109	37,774	38,841	9,339	9,938
Gross investment:							
Public sector	2,584	2,551	2,494	2,119	1,743	341	328
Private sector	11,442	10,833	8,687	8,649	8,160	2,071	1,939
Change in inventories	126	31	(90)	(8)	39	(5)	(13)
Total gross investment	14,152	13,415	11,092	10,761	9,942	2,408	2,254
Exports of goods and services	8,337	7,545	7,640	8,553	8,544	2,001	1,923
Imports of goods and services	10,937	10,599	8,838	9,555	9,337	2,405	2,156
Net (exports) imports	(2,600)	(3,054)	(1,197)	(1,002)	(793)	(403)	(233)
GDP	US$58,870	US$56,907	US$51,630	US$53,512	US$54,025	US$12,686	US$13,359

(1) Preliminary data. **[Update whether any years from 1998-2001 are no longer preliminary for all tables].**
Source: Central Bank.

Gross Domestic Product by Expenditure
(in millions of nuevos soles, at constant 1994 prices)

	1997	1998[1]	1999[1]	2000[1]	2001[1]	For the first 3 months of: 2001[1]	2002[1]
Government consumption	S/. 10,565	S/. 10,832	S/. 11,210	S/. 11,784	S/. 11,729	S/. 2,617	S/. 2,713
Private consumption	84,081	83,376	83,055	86,288	87,425	21,705	22,234
Gross investment:							
Public sector	5,124	5,276	5,657	4,788	3,879	765	730
Private sector	23,395	22,834	19,330	18,944	17,877	4,541	4,281
Change in inventories	306	145	(532)	(178)	(93)	(15)	(40)
Total gross investment	28,825	28,255	24,455	23,554	21,663	5,291	4,971
Exports of goods and services	16,362	17,274	18,594	20,069	21,453	4,700	4,955
Imports of goods and services	22,723	23,251	19,724	20,428	20,757	5,219	4,909
Net (exports) imports	(6,362)	(5,977)	(1,130)	(359)	696	(519)	45
Real GDP	S/. 117,110	S/. 116,485	S/. 117,590	S/. 121,267	S/. 121,513	S/. 29,093	S/. 29,963

(1) Preliminary data.
Source: Central Bank.

Gross Domestic Product by Expenditure
(as a percentage of total GDP, at current prices)

	1997	1998[1]	1999[1]	2000[1]	2001[1]	For the first 3 months of: 2001[1]	2002[1]
Government consumption	9.8%	10.6%	10.9%	11.2%	11.2%	10.6%	10.5%
Private consumption	70.5	71.2	69.9	70.6	71.9	73.6	74.4
Gross investment:							
Public sector	4.4	4.5	4.8	4.0	3.2	2.7	2.5
Private sector	19.4	19.0	16.8	16.2	15.1	16.3	14.5
Change in inventories	0.2	0.1	(0.2)	0.0	0.1	0.0	(0.1)
Total gross investment	24.0	23.6	21.5	20.1	18.4	19.0	16.9
Exports of goods and services	14.2	13.3	14.8	16.0	15.8	15.8	14.4
Imports of goods and services	18.6	18.6	17.1	17.9	17.3	19.0	16.1
Net (exports) imports	(4.4)	(5.4)	(2.3)	(1.9)	(1.5)	(3.2)	(1.7)
GDP	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary data.
Source: Central Bank.

Gross Domestic Product by Expenditure
(percentage change from previous year, at current prices in US$)[2]

						For the first 3 months of:	
	1997	1998(1)	1999(1)	2000(1)	2001(1)	2001(1)	2002(1)
Government consumption	2.9%	3.6%	(6.3)%	6.3%	0.9%	%	4.4%
Private consumption	3.4	(2.4)	(10.9)	4.6	2.8		6.4
Gross investment:							
Public sector	8.4	(1.3)	(2.2)	(15.0)	(17.7)		(3.8)
Private sector	12.8	(5.3)	(19.8)	(0.4)	(5.7)		(6.4)
Change in inventories[3]							
Total gross investment..........	11.0	(5.2)	(17.3)	(3.0)	(7.6)		(6.4)
Exports of goods and services	13.9	(9.5)	1.3	12.0	(0.1)		(3.9)
Imports of goods and services	8.5	(3.1)	(16.6)	8.1	(2.3)		(10.4)
Net (exports) imports...............	(5.8)	17.5	(60.8)	(16.4)	(20.9)		(42.3)
Real GDP...................................	5.5	(3.3)	(9.3)	3.6	1.0		5.3

(1) Preliminary data.
Source: Central Bank. [See footnote and please confirm figures]

From 1997 to 2001, Peru experienced a 26.8% increase in private savings, which was partially offset by a 79.5% decrease in public savings. Private savings increased in large part as a result of decreased private consumption after 1997, reflecting the weakening confidence in the Peruvian economy. Public savings decreased, particularly in 1999 and 2000, because of increased government expenditures by the Fujimori administration to gain political support. Government petroleum subsidies in 1999 and 2000, when world oil prices rose significantly, also caused a decrease in public savings. Domestic investment decreased 19.3% between 1997 and 2001.

During 2001, private savings as a percentage of GDP declined 4.9%, as compared to 2000, reflecting an increase in private consumption. In 2001, public savings did not change, as compared to 2000, as a result of cutbacks in government expenditures following Fujimori's election in July 2000 and his subsequent resignation in November 2000. Domestic investment decreased 8.5% during this period due primarily to political uncertainty ahead of the April 2001 elections.

During the first three months of 2002, private savings increased 15.9%, as compared to the same period of 2001, as a result of renewed focus on savings, rather than consumption. Public savings decreased 69.7%, as compared to the same period of 2001, as a result of a decrease in the current revenue of the central government. Domestic investment decreased 6.2% during this period due primarily to a substantial decrease in private investment.

2 Is the figure for growth in 1Q 2002 compared to growth in 1Q 2001 or growth since 2001 year-end? This table has been replaced and re-titled with figures that represent the percentage increases in the figures given for growth in US$ at current prices. This has been done to maintain uniformity in the text, as all of the calculations use the US$ at current prices figures as a basis. Please confirm figures.

3 Number needed in "Change in inventories" row.

Investment and Savings
(as a percentage of current GDP)

	1997	1998	1999(1)	2000(1)	2001(1)	For the first 3 months of: 2001(1)	2002(1)
Domestic savings:							
Public savings	5.2%	3.9%	1.8%	0.8%	0.8%	3.3%	1.0%
Private savings	13.0	13.8	16.8	16.4	15.6	13.8	16.0
Total domestic savings	18.2	17.7	18.6	17.2	16.4	17.1	17.0
External savings	5.8	5.9	2.9	2.9	2.0	3.8	2.6
Total savings	24.0%	23.6%	21.5%	20.1%	18.4%	20.9	19.6
Domestic investment	24.0%	23.6%	21.5%	20.1%	18.4%	20.9%	19.6%

Source: Central Bank.

As the table below indicates, from 1997 to 1999, the real standard of living of the population fell, with an average decline of 15.3% in per capita GDP, reflecting the overall economic instability. In 2000, per capita GDP rose 1.9% as economic growth was restored by increased government expenditures. In 2001 per capita GDP fell by 0.7% due to population growth that exceeded the flat growth in GDP.

Per Capita GDP[1] and Per Capita Income[2]
(in U.S. dollars, at current prices)

	1997	1998(3)	1999(1)(3)	2000(1)(3)	2001(1)(3)	For the first 3 months of: 2001(3)	2002(3)
Per capita GDP	US$2,416	US$2,295	US$2,046	US$2,085	US$2,071	US$1,945	US$2,015
Per capita income	2,411	2,231	1,951	1,984	1,962	1,874	1,913

(1) Without adjustment to reflect changes in purchasing power.
(2) Per capita national disposable income, which is equal to national gross GDP plus net investment and financial income from abroad plus foreign remittances, divided by the country's population.
(3) Preliminary data.
Source: Central Bank.

Principal Sectors of the Economy

The principal economic activities in Peru are services, including wholesale and retail trade, transportation and tourism, manufacturing, and agriculture, fishing and livestock. The following tables set forth the distribution of GDP in the Peruvian economy, indicating for each sector its percentage contribution to GDP and its annual growth rate for the years indicated, in each case as compared to the previous year.

Gross Domestic Product by Sector
(in millions of nuevos soles, at constant 1994 prices)

	1997	1998(1)	1999(1)	2000(1)	2001(1)	For the first 3 months of: 2001(1)	For the first 3 months of: 2002(1)
Primary production:							
Agriculture and livestock(2)	S/. 9,099	S/. 9,240	S/. 10,325	S/. 10,968	S/. 10,892	S/. 2,432	S/. 2,612
Fishing	574	497	642	700	598	158	123
Mining and hydrocarbons(3)	5,501	5,708	6,445	6,600	7,337	1,581	1,956
Total primary production	15,174	15,445	17,412	18,269	18,828	4,171	4,691
Secondary production:							
Manufacturing	17,758	17,188	17,095	18,241	18,045	4,397	4,364
Construction	7,245	7,289	6,521	6,244	5,867	1,392	1,536
Electricity and water	2,237	2,423	2,485	2,600	2,699	662	701
Total secondary production	27,240	26,900	26,100	27,085	26,612	6,451	6,602
Services:							
Commerce	17,352	16,797	16,482	17,322	17,313	4,137	4,132
Other services	57,344	57,344	57,596	58,591	58,761	14,334	14,538
Total services	74,696	74,140	74,077	75,913	76,074	18,471	18,670
Total GDP	S/.117,110	S/.116,485	S/.117,590	S/.121,267	S/.121,513	S/.29,093	S/.29,963

(1) Preliminary data.
(2) Includes forestry.
(3) Includes non-metallic mining.
Source: Central Bank.

Gross Domestic Product by Sector
(as a percentage of GDP, at constant 1994 prices)

						For the first 3 months of:	
	1997	1998[1]	1999[1]	2000[1]	2001[1]	2001[1]	2002[1]
Primary production:							
Agriculture and livestock[2]	7.8%	7.9%	8.8%	9.0%	9.0%	8.4%	8.7%
Fishing	0.5	0.4	0.5	0.6	0.5	0.5	0.4
Mining and hydrocarbons[3]	4.7	4.9	5.5	5.4	6.0	5.4	6.5
Total primary production	13.0	13.3	14.8	15.1	15.5	14.3	15.7
Secondary production:							
Manufacturing	15.2	14.8	14.5	15.0	14.9	15.1	14.6
Construction	6.2	6.3	5.5	5.1	4.8	4.8	5.1
Electricity and water	1.9	2.1	2.1	2.1	2.2	2.3	2.3
Total secondary production	23.3	23.1	22.2	22.3	21.9	22.2	22.0
Services:							
Commerce	14.8	14.4	14.0	14.3	14.2	14.2	13.8
Other services	49.0	49.2	49.0	48.3	48.4	49.3	48.5
Total services	63.8	63.6	63.0	62.6	62.6	63.5	62.3
Total GDP	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Preliminary data.
(2) Includes forestry.
(3) Includes non-metallic mining.
Source: Central Bank.

Gross Domestic Product by Sector[4]
(percentage change from previous year, at constant 1994 prices)

	1997	1998(1)	1999(1)	2000(1)	2001(1)	For the first 3 months of: 2001	2002
Primary production:							
Agriculture and livestock(2)	5.4%	1.5%	11.7%	6.2%	(0.6)%	(1.7)%	7.4%
Fishing	(1.7)	(13.4)	29.2	9.1	(14.6)	(6.6)	(22.1)
Mining and hydrocarbons(3)	9.0	3.8	12.9	2.4	11.2	(3.5)	23.8
Total primary production	6.4	1.8	12.7	4.9	1.9	(3.4)	9.4
Secondary production:							
Manufacturing	5.3	(3.2)	(0.5)	6.7	(1.1)	(3.2)	(0.7)
Construction	14.9	0.6	(10.5)	(4.2)	(6.0)	(15.7)	10.3
Electricity and water	12.7	8.3	2.6	4.7	3.8	2.3	5.9
Total secondary production	8.3	(1.2)	(3.0)	3.8	(0.2)	(2.2)	(0.2)
Services:							
Wholesale and retail trade	7.8	(3.2)	(1.9)	5.1	0.0	(0.2)	(0.1)
Transportation and telecommunications	5.6	(1.0)	2.2	4.3	N/A	N/A	N/A
Hotels and restaurants	6.4	(1.1)	1.0	2.7	N/A	N/A	N/A
Public administration	2.3	1.2	3.4	1.8	N/A	N/A	N/A
Other(4)	6.5	0.1	(0.7)	0.9	N/A	N/A	N/A
Of which:					N/A	N/A	N/A
Services to private sector companies	5.7	(1.0)	1.9	3.2	N/A	N/A	N/A
Private education	1.4	1.4	2.4	2.2	N/A	N/A	N/A
Private health services	6.1	2.4	15.4	(1.7)	N/A	N/A	N/A
Housing rental	3.6	2.1	3.0	2.7	N/A	N/A	N/A
Financial services	17.2	4.4	(14.6)	(5.1)	N/A	N/A	N/A
Total services	6.3	(0.7)	(0.1)	2.5	0.3(5)	(1.5)(5)	1.4(5)
Total GDP	5.5	(3.3)	(9.3)	3.4	(0.2)	(2.4)	3.0

(1) Preliminary data.
(2) Includes forestry.
(3) Includes non-metallic mining.
(4) Includes indirect taxes and import rights.
(5) Excludes trading.
Source: INEI and Central Bank.

Primary Production

Primary production in Peru encompasses agriculture, livestock and forestry, fishing, and mining and the extraction of hydrocarbons. Of these, the most important activities, in terms of their contribution to GDP, are agriculture and livestock, which, together with forestry, accounted for 9.0% of GDP in 2000 and 9.0% in 2001. In total, the primary sector contributed 15.1% to GDP in 2000 and 15.5% in 2001. The sector experienced its highest growth rate of the 1997-2001 period in 1999, when it grew 12.7% primarily as a result the recovery of the fishing and agricultural sectors following *El Niño*.

4 Please provide missing figures. Please also conform services section to that of prior two tables.

The following table sets forth the production of selected primary goods for the years indicated.

Selected Primary Goods Production
(in millions of nuevos soles, at constant 1994 prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	For the first 3 months of: 2002
Agriculture:							
Cotton	S/. 233.5	S/. 152.5	S/. 216.1	S/. 246.2	S/. 214.3	S/. 59.9	S/. 73.5
Rice	525.3	557.3	703.5	680.9	730.0	125.6	162.1
Coffee	361.7	384.2	464.2	507.1	512.4	28.2	35.9
Sugar cane	470.8	387.6	426.5	484.7	501.7	109.1	129.4
Corn	503.0	577.0	651.0	742.0	766.0	162.1	166.2
Potato	967.5	1,044.7	1,237.1	1,320.9	1,080.8	202.4	293.6
Wheat	132.0	158.0	171.0	187.0	175.5	0.4	1.0
Vegetables	745.7	726.2	821.9	896.8	912.6	237.8	175.9
Fruits	1,031.9	963.0	1,076.2	1,126.5	1,112.4	297.3	312.8
Tubers	371.0	413.0	420.0	429.0	424.0	96.0	97.2
Other agricultural	1,932.0	1,915.3	2,034.7	2,121.4	2,114.5	479.3	506.6
Total crops	S/.7,274.4	S/.7,278.8	S/.8,222.2	S/.8,742.5	S/.8,544.2	S/.1,798.1	S/.1,954.2
Livestock:							
Poultry	S/.2,203.0	S/.2,433.4	S/.2,747.7	S/.3,026.4	S/.3,087.6	S/. 740.1	S/. 820.8
Eggs	313.7	324.4	338.7	340.8	341.9	82.7	83.8
Milk	480.6	506.0	513.7	541.0	565.3	144.7	150.5
Lamb	262.3	275.5	363.4	378.3	387.1	85.2	90.0
Pork	399.6	418.3	428.6	436.8	438.0	101.6	101.2
Beef	1,025.3	1,074.4	1,158.1	1,181.6	1,195.1	283.2	288.8
Other	371.4	391.7	412.2	430.2	430.7	134.2	129.6
Total livestock	S/.5,055.9	S./5,423.7	S/.5,962.4	S/.6,335.1	S/.6,445.7	S/.1,571.7	S/.1,664.7
Fishing	S/. 573.7	S/. 497.0	S/. 641.9	S/. 700.1	S/. 598.5	S/. 168.3	S/. 123.4

Source: INEI.

The following table sets forth the annual percentage change in production of selected primary goods for the years indicated, based on constant 1994 prices.

Selected Primary Goods Production
(percentage change from previous year, at constant 1994 prices)

	1997	1998	1999	2000	2001
Agriculture:					
Cotton	(45.7)%	(34.7)%	41.7%	13.9%	(13.0)%
Rice	21.3	6.1	26.2	(3.2)	7.2
Coffee	6.0	6.2	20.8	9.2	1.0
Sugar cane	13.3	(17.7)	10.0	13.6	3.5
Corn	2.2	14.7	12.8	14.0	3.2
Potato	3.9	8.0	18.4	6.8	(18.2)
Wheat	(8.3)	19.7	8.2	9.4	(6.1)
Vegetables	5.4	(2.6)	13.2	9.1	1.8
Fruits	2.4	(6.7)	11.8	4.7	(1.3)
Tubers	13.5	11.3	1.7	2.1	(1.2)
Other agricultural	4.7	(0.9)	6.2	4.3	(0.3)
Livestock:					
Poultry	8.1	10.5	12.9	10.1	2.0
Eggs	14.9	3.4	4.4	0.6	0.3
Milk	4.8	5.3	1.5	5.3	4.5
Lamb	5.9	5.0	31.9	4.1	2.3
Pork	4.3	4.7	2.5	1.9	0.3
Beef	7.4	4.8	7.8	2.0	1.1
Other	5.3	5.5	5.2	4.4	0.1
Fishing	(1.8)	15.4	29.2	9.1	(13.3)

Source: INEI.

Agriculture and Livestock

The Peruvian agriculture and livestock sector employs approximately 33.0% of the population and is dominated by small-scale producers. The sector represented 9.1% of total exports in 2001. Less than 3.0% of Peru's land area is devoted to arable production and permanent crops. Subsistence farming predominates and productivity is low due to drainage and salinity problems, although productivity increased during the 1990s.

The agriculture and livestock section grew every year in the period from 1997 to 2001, despite the adverse effects of *El Niño* in 1998, increasing its annual contribution to GDP from 7.8% in 1997 to 9.0% in 2001. Its contribution to GDP increased from 7.8% in 1997 to 9.0% in 2001. In 1998, floods and landslides caused by *El Niño* resulted in the loss of arable land and led to irrigation deficiencies and plagues. The damage adversely affected growth of agricultural output, which caused an increase in local prices of primary goods. Despite the damage, the agriculture and livestock sector as a whole grew 1.5% in 1998, partly due to improved livestock-breeding conditions that resulted from increased rainfall. The recovery from the effects of *El Niño* began in the fourth quarter of 1998.

Normal weather conditions and several assistance and development programs undertaken by the *Ministerio de Agricultura*, or Ministry of Agriculture, led to 11.7% growth in 1999 and 6.2% growth in 2000. In 2001, this sector declined by 0.6%, due to a 2.4% decline in agricultural production as a result of a reduction in the area of land farmed, offset in part by a simultaneous 1.7% growth in the amount of livestock raised as a result of the increased production of milk, chicken and cattle.

Peru's main agricultural products are vegetables, potatoes and fruits, which together accounted for approximately 36.3% of Peru's agricultural production in 2001. Peru's traditional agricultural products include cotton, sugar, coffee and rice. Agricultural production has increasingly focused on non-traditional export products destined primarily for the winter markets of Europe and the United States. The northern coast of Peru is the main area for cultivation of non-traditional export crops such as asparagus, mangoes, passion fruit and oranges. Animal husbandry—sheep, poultry and cattle—is predominant in southern regions of the country.

Peru's main agricultural export products are coffee, sugar, asparagus and paprika, which together accounted for 33.7% of agricultural exports in 2001. Other important export crops include cochineal, cocoa, carmine and marigold flour. In recent years, there has been a boost in fruit production for the export market, particularly of mangoes and grapes. Cotton, rice and sugar are produced for both the domestic and the export markets.

The Government, during the 1990s, gave priority to farming as part of its program to channel resources to poorer regions and increase the self-sufficiency of subsistence farmers. The highest priority crops included rice, corn and wheat. By reviving traditional irrigation and terracing methods, the Government extended cultivation through the use of marginal land, while also promoting modern farming techniques.

In 1996, the Government also adopted measures to promote the development of agriculture. These measures consisted of the following three new laws:

- The *Ley de Saneamiento Económico-Financiero de las Empresas Agrarias Azucareras*, or Law for the Financial Rehabilitation of Sugar Companies, which established the *Programa Extraordinario de Regularización Tributaria*, or Extraordinary Program for Tax Reform, which we refer to in this prospectus as "PERTA." The PERTA program was designed to facilitate the payment by sugar companies of overdue tax liabilities through the introduction of various alternative payment methods and a partial tax amnesty.

- The *Ley de Reestructuración de las Empresas Agrarias*, or Law for the Restructuring of Agricultural Companies, which expanded the PERTA program to include independent farmers and irrigation companies.

- The *Ley de Promoción del Sector Agrari*, or Agricultural Sector Promotion Law, which established a special tax regime for the agricultural sector.

The Toledo administration expects to foster the development of agriculture by implementing the following policies:

- improving supervisory standards and technical guidelines, such as seed quality and growing conditions, to promote the production of important crops;

- providing technical assistance to small-scale farmers in areas such as land management, irrigation and sowing techniques; and

- organizing small-scale farmers into farming cooperatives in order to improve their production and distribution capacity and enhance their ability to generate jobs.

The Toledo administration supports an agricultural development program that reduces the tariff on agricultural machinery or equipment from 12% to 7% and the tariff on imports of agricultural inputs from 12% to 4%, in order to increase agricultural production.

Fishing

Fishing is a small part of the Peruvian economy, contributing between 0.4% to 0.6% annually to GDP during the period from 1997 and 2001. Fish products, however, are Peru's second leading export, accounting for 15.8% of export earnings in 2001.

In the late 1960s, Peru was the world's leading fishing nation. Its importance as a leading exporter of fishmeal declined during the 1970s and early 1980s due to ecological factors and over fishing. In later years, Peru recovered its position as one of the world's leading fishmeal producers and exporters.

At present, Peru's fish-processing industry is made up primarily of the processing of anchovies into fishmeal. The industry has suffered frequently from the destruction of fish stocks caused by changes in oceanographic conditions. The Republic from time to time imposes seasonal fishing bans based on factors such as marine wildlife conditions and fish processing capacity. Although these bans limit fishing extraction, their adverse impact on fishing production is outweighed by the increased stock of protected species.

The fishing sector contracted 1.8% in 1997 and 13.4% in 1998 as a result of *El Niño*, which had a devastating impact on catches for industrial consumption, particularly of anchovies, that was not compensated by a greater extraction of other sea species. In 1999 and 2000, the fishing industry recovered, growing 29.2% in 1999 and 9.1% in 2000. This growth was caused by the improved oceanographic conditions. In 2001, fishing declined 13.3%, due to climactic changes that dispersed the fish stock.

Mining and Hydrocarbons

The mining and hydrocarbons sector grew 11.2% in 2001 as a result of a 12.8% growth in the production of metals, which offset a 2.0% decline in the production of hydrocarbons. *Antamina*, the world's largest copper and zinc project, began its production phase in July 2001, contributing to the growth in the volume of copper, zinc and silver extracts.

Mining.[5] Peru is a leading regional producer of gold, and the largest producer in Latin America of silver, tin, copper, lead and zinc. Although mining constitutes a small part of the country's GDP, contributing on average 4.4% to GDP between 1997 and 2001, it is Peru's leading export sector, accounting for 44.8% of Peru's total export earnings in 2001. Copper alone accounted for 13.9% of total export earnings in 2001.

Between 1997 and 2001, investment in the mining sector totaled approximately US$6.3 billion, with an average annual investment of US$1.3 billion. The most important projects in this period were:

- the *Antamina* copper and zinc projects, in which an aggregate of US$525 million was invested in 1999, US$825 million in 2000 and US$530 million in 2001;
- the expansion of the *Cuajone* and *Toquepala* copper projects, in which an aggregate of US$259 million was invested in 1998, US$250 million in 1999, US$132 million in 2000 and US$161 million in 2001; and
- the expansion of the *Yanacocha* gold project, in which an aggregate of US$83 million was invested in 1998, US$126 million in 1999, US$277 million in 2000 and US$277 million in 2001.

Hydrocarbons[6]. The hydrocarbons sector, which encompasses petroleum and natural gas production, currently constitutes a minor part of the Peruvian economy.

5 Where do the figures in this mining section come from?
6 Where do the figures in this hydrocarbons section come from?

The petroleum companies in Peru are oriented towards the exploration and development of oil fields located mainly in the Amazon jungle. A major part of Peruvian production consists of heavy crude oil that is mostly exported and light crude oil used in local refineries. Petroleum products for industrial and residential use are supplemented with imports.

Between 1997 and 2001 petroleum production decreased consistently due to the exhaustion of oil producing fields and a reduction in drilling of exploration wells that was triggered in part by a drop in the international prices of petroleum.

Peru is currently only a minor producer of natural gas. As of December 31, 2001, Peru had approximately 13.1 trillion cubic feet of natural gas proven reserves, of which approximately 482 billion cubic feet had been developed. In the period from 1997 to 2001, natural gas production increased approximately 53.3%, from 8.5 billion cubic feet in 1997 to 13.1 billion cubic feet in 2001. This increase resulted primarily from the launch of the *Aguaytia* thermoelectric plant in 1998, which extracts the natural gas it requires for power generation directly from the Amazon basin. The increased production was partially offset in 2000 by increased rainfall, which reduced the demand for thermoelectric generation.

Peru's natural gas reserves are concentrated in the *Camisea* gas field, which is located approximately 300 miles east of Lima. In February 2000, the Government granted a 40-year operating concession over the *Camisea* gas field to the private consortium Pluspetrol-Hunt Oil-SK Corporation. Under the concession, the Government receives in royalties 37.2% of the profits generated. In October 2000, the Government granted concessions over the distribution and transportation of *Camisea's* natural gas to a private consortium led by the Argentine company Techint.

The Government expects successful development of the Camisea field to significantly increase production of natural gas, providing Peru with a low cost and abundant source of energy, and potentially turning the country into a net exporter of this commodity. The *Camisea* project is scheduled for completion in 2004. Operations at *Camisea* are estimated to begin by April 2004, which will lead to an increase of 160% in the production of natural gas during the two-year period from 2004 to 2005.

Secondary Production

Manufacturing

The principal components of the manufacturing sector are:

- primary manufacturing, principally:
  - processing of sugar;
  - processing of meat products;
  - production of fish meal, fish oil and other fish products; and
  - refining of non-ferrous metals;
  - petroleum refining; and
- non-primary manufacturing, consisting principally of:
  - production of food, drinks and tobacco;
  - production of textiles, leather products and footwear;
  - production of paper products;

- production of chemical, rubber and plastic products;
- non-metallic minerals;
- iron and steel production; and
- manufacturing of machinery, equipment and metal products.

The performance of the manufacturing sector during the period from 1997 to 2001 generally tracked the overall performance of the Peruvian economy. The sector contracted 3.2% in 1998 and 0.5% in 1999, primarily as a result of the adverse effects of *El Niño* and the Asian financial crisis, and 1.1% in 2001, due to reduced production of fish meal and anchovy sources, but otherwise showed moderate to strong growth. This growth was fueled primarily by primary-industry output, which increased 1.8% in 1997, 20.6% in 1999 and 8.5% in 2000.

Primary manufacturing. Between 1997 and 2001 primary manufacturing production fluctuated greatly, growing 1.8% in 1997, 21.1% in 1999 as the sector recovered from the effects of *El Niño* and 8.6% in 2000. The sector contracted 8.7% in 1998, when the sector suffered from the effects of *El Niño*, and 2.9% in 2001. During this period, primary manufacturing contributed an average approximately 3.3% annually to GDP and 14.7% to export earnings.

The following table sets forth information regarding primary manufacturing production for the years indicated.

Primary Manufacturing Production
(percentage change from previous year, at constant 1994 prices)

						For the first 3 months of:	
	1997	1998	1999	2000	2001	2001	2002
Sugar	14.5%	(29.3)%	34.5%	18.9%	6.1%	(4.6)%	20.0%
Meat products	7.2	10.2	11.2	7.4	1.7	0.9	8.3
Fishmeal and fish oil	(17.6)	(49.6)	129.8	21.6	(28.6)	(37.6)	(46.3)
Canned and frozen fish products	21.8	(43.8)	4.7	26.2	8.7	9.8	(37.6)
Refining of non-ferrous metals	4.4	9.4	5.7	3.4	3.5	(1.0)	8.8
Petroleum refining	4.5	2.4	(6.8)	(1.2)	3.5	0.7	(0.9)
Overall change	1.8	(8.7)	21.1	8.6	(2.9)	(5.6)	(3.6)

N/A = Not Available.
Source: INEI and Central Bank

Non-primary manufacturing. Despite growth of 6.3% in 1997 and 6.1% in 2000, non-primary manufacturing contracted by 1.8% in 1998 and 5.8% in 1999, as Peru experienced a decline in domestic demand due to the effects of the Asian financial crisis. In 2001, non-primary manufacturing contracted by 0.6%, due to contraction suspension of investment programs by some businesses. During this period, non-primary manufacturing contributed an average approximately 11.6% annually to GDP and •% to export earnings. **[Please provide figure]**

The following table sets forth information regarding non-primary manufacturing production for the years indicated.

Non-Primary Manufacturing Production[7]
(percentage change from previous year, at constant 1994 prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	2002
Food, drinks and tobacco	5.5%	6.5%	6.4%	1.3%	0.7%		4.0%
Textiles, leather products and footwear	7.3	(8.7)	(6.4)	10.1	(3.4)		(3.3)
Paper products	(0.7)	2.6	4.2	20.1	0.9		1.4
Chemical, rubber and plastic products	11.2	(2.8)	(1.0)	7.5	3.8		4.0
Non-metallic minerals	10.0	4.0	(12.4)	(1.4)	(1.5)		0.6
Iron and steel production	18.2	1.6	(8.7)	7.0	4.5		(11.8)
Manufacturing of machinery, equipment and metal products	9.2	0.5	(17.3)	9.1	(5.5)		(8.3)
Other	23.7	8.0	(10.3)	(6.3)	3.3		(13.1)
Overall change	6.3	(1.8)	(5.8)	6.1	(0.6)		0.0

Source: INEI and Central Bank.

Free trade zones manufacturing. Manufacturing in the free trade zones in Peru constitutes a minor part of the country's total manufacturing production. Between 1997 and 2001, free trade zone manufacturing contributed less than •% annually to GDP and to export earnings. **[Please provide figure and source]**

Construction

The construction sector expanded 14.9% in 1997 and 0.6% in 1998, but contracted 10.5% in 1999, 4.2% in 2000 and 6.0% in 2001. In the period from 1997 to 2001, the sector contributed between 4.8% to 6.3% annually to GDP. The sharp rise in construction activity during 1997 was due primarily to high private investment and increased public spending on preventive projects in preparation for *El Niño*. The decline in construction since 1998 is due primarily to a reduction in public and private investment, which was caused by a limited supply of credit, a drop in informal housing construction due to lower nominal incomes, and the completion and delay of highway construction projects by the public sector. In 2000, the construction sector experienced a 38% decline in road rehabilitation and expansion projects as a result of limited public financing. In 2001, the construction sector contracted due to a decrease in road rehabilitation and expansion projects from 2000, due to reduced levels of public and private investment. A total of 40 kilometers of national highway were constructed and rehabilitated in 2001. During the first three months of 2002 the construction sector began to recover after three consecutive years in recession, growing 10.3% primarily due to public works projects, primarily road construction, and a slight increase in private sector building activity.

Electricity and Water

[Please provide reasons for growth in electricity and water sector over past several years]

In the period from 1997 to 2001, the electricity and water sector contributed an average 2.1% annually to GDP.

Electricity. The electricity sector in Peru was traditionally under the purview of the public sector until the Republic embarked on a deregulation and privatization of the industry in 1992-1993. Under this initiative, the sector was divided into three segments: production, distribution and transmission. The Government initially focused most of its deregulation and privatization efforts in the energy production and distribution segments, but gave open access to the country's transmission grid. The Government also began granting concessions of its transmission lines with

7 Please provide 1Q 2001 figures.

the concession of the transmission line *Mantaro-Socabaya* in 1998 and of its Southern Power Grid in 1999. In 2001, concessions for the construction, maintenance and operation of power lines were granted to *La Oroya-Paragcha-Antamina* and *Aguaytía-Pucallpa*.

As of December 31, 2001, Peru's power plants had an installed capacity of 5,913 MW, of which 50.1% came from hydroelectric plants and 49.9% from thermoelectric plants. Despite the significant installed capacity of thermoelectric plants, Peru's hydroelectric plants actually produce approximately 89.6% of the country's electricity. This dependence on hydroelectric generation has rendered the country vulnerable to electricity shortages in times of drought. In 2001, 19,131 GW/hr were generated, serving 16,417 GW/hr to end users.

The following table sets forth information with respect to the development of this sector for the years shown.

Principal Economic Indicators of the Electricity Sector[8]

	1997	1998	1999	2000	2001	For the first 3 months of: 2002
Production of electricity sector:						
Thermal (in GW/hr)	3,049	3,437	3,297	2,546	1,997	
Hydroelectric (in GW/hr)	12,210	13,338	14,074	15,692	17,134	
Total generation (in GW/hr)	15,259	16,774	17,371	18,238	19,131	
Losses, transmission and distribution (in GW/hr)	2,693	2,349	2,542	2,469	1,267	
Energy production (in millions of US$)	US$ 787	US$676	US$ 746	US$ 833	US$ 864	
Energy sale income (in millions of US$)	US$1,017	US$990	US$1,004	US$1,112	US$1,153	
Consumption by economic sector (in GW/hr):						
Residential	3,383	3,637	3,767	3,929	4,045	
Industrial	6,221	7,672	8,132	8,628	9,343	
Government	527	534	535	541	542	
Commercial	2,272	2,141	2,215	2,427	2,487	
Total consumption	12,402	13,984	14,648	15,525	16,417	

Source: OSINERG.

Water. Peru's central government is responsible for water services in Lima while the country's various municipalities are responsible for water services in the urban and sub-urban areas in their respective jurisdictions. The central and local governments designate special service companies, which may be private, public or a mixture of both, to supply water services. In rural areas, water services are supplied by communal administrative commissions. The water sector is regulated by the *Superintendencia Nacional de Servicios de Saneamiento*, or National Superintendence for Sanitary Services.

8 When will updated figures be available?

Services

Wholesale and Retail Trade

Wholesale and retail trade contracted 3.2% in 1998 and 1.9% in 1999 due to a drop in domestic demand during these years. The sector grew at an average annual rate of 6.5% in 1997 and 2000, but remained flat in 2001. In the period from 1997 to 2001, this sector contributed an average •% annually to GDP, making it the second most important sector of the Peruvian economy. **[Please provide figure]**

Transportation and Telecommunications[9]

The transportation and telecommunications sector has, despite a 1.0% decline in 1998, consistently registered positive growth each year since 1997 due to increased domestic demand for telephone services. From 1997 to 2000, a large portion of the Republic's telecom investment has gone into the mobile telephony market. As a result, the Republic had 1.8 million mobile subscribers by 2001, exceeding for the first time the number of fixed lines contributing between 7.8% to 8.0% annually to GDP during the period from 1997 to 2001. **[Please provide yearly figures]**

Transportation. Peru's transportation infrastructure has historically been state-controlled. During the 1990s, as part of its privatization initiative, the Government sought greater private sector involvement in this field. The Government granted private concessions over transportation facilities such as Lima's Jorge Chávez International Airport and the national railway network.

Telecommunications. The following table provides information on the evolution of the telecommunications sector.

Summary of Telecommunications Sector

	1997	1998	1999	2000	2001	March 2002
Lines:						
Fixed wire	1,537,341	1,553,874	1,609,884	1,617,582	1,570,956	1,594,266
Cellular	435,706	736,294	1,045,710	1,339,667	1,798,926	1,950,555
Public phones	40,129	49,399	62,276	83,855	94,596	101,852
Total lines	2,013,176	2,339,567	2,717,870	3,041,104	3,464,840	3,646,673

Source: Organismo Supervisor de Inversión Privada.

Hotels and Restaurants

See "Balance of Payments and Foreign Trade—Foreign Trade—Services Trade" for additional information on the tourism sector.

Public Administration

Based on a survey of households conducted by the Ministry of Labor, the Government estimates that the public sector employed approximately • workers or •% of the labor force in 2001. **[Please provide figures and source]**

9 Please update description of the sector in light of 2001 year-end numbers. Most of the bracketed figures will need to be verified and updated.

Other Services

The private sector in Peru offers a variety of services that in the aggregate constitute an important part of the Peruvian economy. These services include financial services, health services and education services. In the aggregate, these services grew at an average annual rate of •% **[please provide figure]** in 1997, 1998 and 2000, but contracted 0.7% in 1999. **[Update 2001]** For a description of the evolution of the financial services sector between 1997 and 2001 see "Monetary Section—Financial Sector."

Privatization and Role of the State in the Economy[10]

Privatization

In 1991, the Republic initiated an ambitious privatization program beginning with the enactment of various laws for the promotion of private investment. In 1991, in order to stimulate private investment, Congress enacted Legislative Decree No. 662, which authorized the Government to enter into legal stability agreements with foreign and domestic investors. These agreements guarantee that current statutes on income taxes, remittances, export promotion, administrative procedures and labor, as applied to a particular investment, will remain unchanged for a period of ten years. In order to qualify for these agreements, an investor must invest at least US$2.0 million within two years of the agreement, or at least US$500,000 if the investment creates 20 jobs or produces US$2.0 million in exports during the three years following the agreement. As of December 31, 2001, investors had signed 21 legal stability agreements with the Government worth approximately US$1.0 billion in investment. In 2001, 14 privatization and concession-granting processes were completed, for a value of US$255 million, that generated investment projects of $97 million. In 2002, to date, agreements of approximately US$5 million have been signed. Currently, a new privatization program is being planned.

In 1991, Congress also enacted the *Ley de Promoción de la Inversión Extranjera*, or Foreign Investment Promotion Act, and the *Ley Marco para el Crecimiento de la Inversión Privada*, or Private Investment Growth Framework Act. These laws provide for:

- equal treatment of both national and foreign investors;
- automatic authorization of foreign investments, which must be subsequently registered with the *Comisión Nacional de Inversiones y Tecnologías Extranjeras*, or National Commission on Foreign Investment and Technology, which we refer to in this prospectus as "CONITE";
- the protection of the property rights of foreign investors;
- the free repatriation of property, dividends and profits; and
- the elimination of restrictions on the participation of foreigners in banks and insurance companies.

The principle of non-discrimination against foreign investors was incorporated into the 1993 Constitution. Additionally, the 1993 Constitution allows foreign investors freely to hold and dispose of foreign currency. They are, however, precluded from owning national radio and television stations, mines, lands, forests, water, fuel or energy sources within 31 miles of an international border, although investors, under current laws, may obtain a resolution from the executive branch authorizing such investments.

The Republic also established the *Comisión de Promoción de la Inversión Privada*, or Commission for the Promotion of Private Investment, to which we refer in this prospectus as "COPRI." COPRI's main function is to design and implement a comprehensive program to foster private investment through the privatization and concession of large-scale infrastructure and public utility projects. COPRI's board of directors oversees all

10 Need to disclose what has actually been done in 2001/2002 and what is going to be done next, especially in light of recent reaction against privatization. Also update figures through 2001.

privatizations and concessions, while two Special Privatization Committees establish the procedures for privatizations and execute the privatization transactions in specific industries. The board of directors is composed of the following four members:

- the Minister of Economy and Finance, who presides over meetings of the board of directors;
- the Prime Minister;
- the Minister of Transport, Communication, Housing and Construction; and
- the Minister of Energy and Mines.

The members of the Special Privatization Committees have historically been current and former senior executives from the private sector.

The telecommunications sub-sector in Peru underwent an extensive liberalization during the 1990s, and a large number of foreign companies have entered the market. Although private competition was originally limited to wireless services, the telecommunications industry grew to include more than 120 companies as of the end of 1997. The total number of telephone lines in Peru increased from 3.9 million in 1997 to 5.4 million in 2001. As of 1998, the most recent year a survey was conducted, there were 208,000 open internet accounts. **[Does a more recent survey exist?]**

- the *Antamina* copper and zinc projects;
- the *Camisea* natural gas project;
- the concession to operate Lima's Jorge Chávez International Airport;
- the concession to operate the railway systems in the South, Southeast and central regions of the country;
- the sale of controlling equity interests in the telecommunications companies ENTEL and CPT;
- the concession to operate the transmission line *Mantaro-Socobaya* and the Southern Power Grid;
- the concession to operate the *Rio Chillón* water treatment plant; and
- the privatization of the *Relapasa* petroleum refinery.

The liberalization of the telecommunications market began in 1994 when the Government sold to *Telefónica de España* majority interests in the state-owned telecommunication companies *Empresa Nacional de Telecomunicaciones*, to which we refer in this prospectus as "ENTEL," and *Compañía Peruana de Telefonos*, to which we refer in this prospectus as "CPT." The Republic followed this initial step with the opening of the wireless market to private competition. *Telefónica de España* maintained a monopoly over fixed-line services until 1998 when it voluntarily decided to end its exclusivity service concession a year ahead of schedule. Six private companies have since been granted concession rights to operate in the fixed-line market, including four foreign companies. Of the six companies granted concessions, only two have launched operations. **[Please confirm or provide updated numbers regarding concessions granted and operations launched]**

Since 1992, the Government has privatized the vast majority of its assets, including those in the finance, fishing and telecommunications sectors. Significant progress has also been made in other sectors. The Government has privatized a majority of its assets in the mining, manufacturing, hydrocarbons, electricity and agriculture sectors. The more than • privatizations that have been completed in Peru have generated revenues of approximately US$•

billion. To date, fourteen concessions have been awarded to private companies. Significant privatizations and concessions include:

Substantially all of the stock of privatized companies is held by foreign companies such as *Telefónica de España* (telecommunications), *Repsol* (energy), *Endesa* (electricity), *Banco Bilbao Vizcaya Argentaria* (financial services) and *Telecom Italia* (telecommunications).

The pace of privatizations began to slow after 1996, when privatization proceeds reached record levels. This decline in the level of privatizations resulted in part from a shrinking supply of state-owned enterprises, Fujimori's retreat from unpopular privatization initiatives to gain support for his presidential bid and the political turmoil that accompanied Fujimori's re-election. Privatizations since 1996 have consisted primarily of the sale of remnant government shares in privatized companies.

Upon taking office in July 2001, the Toledo administration sought to revitalize the Republic's privatization agenda by charging two Special Privatization Committees to develop privatization programs for projects including highway networks, ports, airports and tourism, penal facilities, mining and agricultural development projects.

The privatization program has generally been viewed unfavorably by Peruvians, fearful they will lose their jobs with privatizations and opposed to the sale of well-known state assets to non-Peruvians. Moreover, reports of bribery and misappropriation of funds during the Fujimori administration have tainted the process.

In June, protests in Arequepa and Tacna against the sale of power generation companies *Egasa S.A.* (Generaćion Electrica de Arequipa) and *Egesur, S.A.* (Generaćion Electrica del Sur) led the Government to suspend the sale of the two companies, and the privatization process. Together, these two companies own 7% of the market. The Government's original plan was to privatize these companies by the end of September in a single bidding process, but protests prompted the administration to suspend the sale of the companies to Tractebel, a Belgian leader in the sector who had won the privatization auction. Rather than generating the initial estimate of US$700 million, privatization activities carried out before June 10, 2002 amounted to US$362 million (excluding *Egasa* and *Egesur*), with US$121 million transferred to the public account during this period. The sale of the *Egasa* and *Egesur*, challenged by regional authorities, is currently on hold until a court rules on its validity. The Government will not attempt any more privatizations until after regional elections in November.

In the letter of intent recently negotiated with the IMF, privatizations and concessions were considered "[a]n essential element to generate confidence among investors and to help finance fiscal deficits in 2002 and 2003." The Government's aim, as agreed with the IMF as part of a two-year program, was to generate income of at least $700 million this year and again next year through the sale of concessions and of state assets. The Republic has, at present, suspended its privatization program due to political opposition and public protest. The IMF has accordingly agreed to adjust both the 2002 and 2003 targets for the Republic's consolidated public sector deficit from 1.9% to 2.2% of GDP.

Role of the State in the Economy

As a result of the privatization program undertaken by the Government during the 1990s, the public sector currently plays a more limited role in the economy than it did in previous decades. The Toledo administration supports a resumption of the privatization process and further deregulation, based on the view that sustainable economic growth is driven primarily by private investment. In 2001 the Government completed 14 privatization and concession-granting processes for a value of US$255 million and generated US$97 million in investment projects. Additionally, the Government currently has minority interests in some of the privatized companies, such as *Transmantaro* (power generation), *Etevensa* (power generation) and *Redesur* (power transmission).

Employment and Labor

Employment

A significant portion of the Peruvian population lacks regular full-time employment. Despite periods of economic growth in recent years, unemployment and underemployment remain one of Peru's most entrenched problems. The Toledo administration has placed job creation through the private sector as one of the most important items on its agenda.

Unemployment grew during the period from 1997 to 1999 and in 2001 due primarily to an increase in the participation rate—the percentage of the population 14 years old or older that forms part of the labor force—during this period, and decreased in 2000, as the participation rate leveled off slightly. Underemployment remained at high levels during the period from 1997 to 2001, increasing 5.8% in 2001 as a result of a 5.0% increase in the participation rate combined with stagnant economic growth. The principal sectors in terms of number of jobs are agriculture, services, production of consumer goods, and wholesale and retail trade. The continuously high levels of unemployment and underemployment have in recent months fueled social tensions and protests against privatizations and large industrial projects. In addition, this unrest has led to political tensions resulting in the resignations of a number of the Counsel of Ministers and threatens the continuity of the coalition supporting the Toledo administration as regional elections approach in November.

The following table sets forth employment statistics for the years indicated.

Employment and Labor[11]
(in percentages)

	1997	1998	1999	2000	2001
Participation rate(1)	64.5%	65.4%	66.9%	64.3%	67.7%
Underemployment rate(2)	5.0	3.9	43.2	43.1	47.6%
Unemployment rate(3)	7.7	7.8	8.0	7.4	7.9%

(1) Refers to the percentage of the working-age population (14 years old or older) that is in the labor force.

(2) Refers to the percentage of the working-age population (14 years old or older) working part-time who would prefer to work more hours, plus the percentage of the working-age population that usually works full-time but who, in the week the employment survey was conducted, worked less than 35 hours per week as a result of economic constraints.

(3) Refers to the percentage of the working-age population (14 years old or older) that, in the week the employment survey was conducted, was seeking remunerated employment.

Source: *Convenio MTPS - INEI Encuesta Nacional de Hogares III Trimestre*, 1997-2001.

11 When will updated figures be available?

The following table sets forth information on employment by sector, as a percentage of total employment, for the years indicated.

Employment[12]
(percentage by sector)

	1997	1998	1999	2000	2001	For the first 3 months: 2002
Agriculture, livestock, fishing and forestry	7.6%	5.3%	5.8%	6.8%	8.8%	
Mining	0.7	0.9	0.4	0.7	0.6%	
Manufacturing	14.3	13.4	12.7	13.6	12.6%	
Construction	5.5	5.6	5.2	4.2	4.5%	
Electricity, gas and water	0.4	0.4	0.6	0.4	0.3%	
Transportation and telecommunications	7.7	8.4	8.6	9.0	8.4%	
Wholesale and retail trade	27.2	26.6	26.4	26.6	25.4%	
Services	32.7	35.1	35.3	34.1	34.6%	
Other	3.9	4.3	5.0	4.6	4.8%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: Convenio MTPS - INEI Encuesta Nacional de Hogares III Trimestre, 1996 –2000.

The Peruvian economy has a significant "informal sector" that provides employment to the majority of the labor force, including a significant number of women. The term "informal sector" refers to economic activities that take place outside of the formal norms for economic transactions established by the state or developed through formal business practices. It generally involves the production and exchange of legal goods and services without the appropriate business permits, without reporting of tax liability, without complying with labor regulations and without legal guarantees for suppliers and end users. Due to the nature of this sector, it is difficult to obtain reliable statistics measuring the sector's contribution to the Peruvian economy. For purposes of measuring the activity in the informal sector, the Government defines it, in the area of wholesale and retail trade, as all businesses that have 1 to 4 workers, and in the manufacturing field, as all businesses that have 1 to 9 workers, in both cases regardless of whether such businesses are within the formal economy. The Government, however, excludes from its definition of the informal sector all public and independent workers.

The informal sector provides limited economic opportunities for the urban poor. According to private sector estimates, at December 31, 2001, there were approximately ● small businesses, which employed ● million workers, representing ●% of total employment in Peru. **[Elaborate whether these are for the most part part-time employees]** The Ministry of Industry estimates that in 2001, ●% of the total labor force was self-employed compared to approximately 75.6% in 2000. **[Please update figures in this paragraph]**

12 When will updated figures be available?

Small Business Indicators[13]

	1997	1998	1999(1)	2000(1)	2001	For the first 3 months of:	
						2001	2002
Number of businesses	109,324	118,793	1,406,322	1,399,150			
Businesses by sector (as % of total):							
Manufacturing	13.3%	12.8%	11.7%	11.6%			
Retail trade	29.9	30.6	58.2	57.9			
Other services	54.7	54.8	26.9	27.1			
Total	100.0%	100.0%	100.0%	100.0%			
Employment (in number of persons)	N/A	N/A	5,549,195	5,387,790			
Participation in total employment	N/A	N/A	77.0%	75.6%			

(1) Figures for 1999 and 2000 include total number of businesses that are subject to special regimes (RUS and RER), which explain the significant increase in the number of business for these years.
N/A = Not Available
Source: Ministry of Industry, Tourism and Integration (MITINCI).

Wages and Labor Productivity

The *Ministerio de Trabajo y Promoción Social*, to which we refer in this prospectus as the "Ministry of Labor," sets a single minimum wage for all sectors of the economy based on macroeconomic indicators such as GDP growth and the inflation rate. The minimum wage was last adjusted in 2000 and currently stands at S/. 410 per month, equivalent to US$118 per month. **[Please update conversion rate and when minimum wage last adjusted]** The Republic does not currently compile statistics on labor productivity.

Poverty and Income Distribution

In the early 1990s, the poverty level in Peru declined as a result of economic expansion and significant reduction in inflation. Poverty increased in the late 1990s as a result of the downturn in the Peruvian economy. The political tensions and instability in the last years of the Fujimori regime, and the negative impact these had on private investment and bank credit, further increased the incidence of poverty.

The Republic classifies households with earnings of less than US$60 per capita per month as falling below the poverty line. Using this standard, the percentage of the population living below the poverty line increased from 50.7% in 1997 to 54.1% in 2000. **[Please verify]** An increasing number of Peruvians earn less than $30 per capita per month. The poorest 40% of the population earned 21.2% of the national income in 1997 as compared to 19.6% in 1994, while the share of the national income earned by the wealthiest 10% increased slightly from 27.2% in 1994 to 27.7% in 1997. 1994 and 1997 are the only years for which income distribution data is available.

[13] When will updated figures be available? Also please check figures since the totals amount to less than 100% for each column.

The following table sets forth information regarding income distribution for the years indicated.

Evolution of Income Distribution
(percentage of total national income)[14]

Income group	1994	1997
Lowest 40%	19.6%	21.2%
Next 20%	16.1	16.3
Next 20%	22.2	21.0
Highest 20%	42.0	41.8
Highest 10%	27.2	27.7

Source: *Cuanto* Institute – "*Encuesta Nacional Sobre Medición de Niveles de Vida (ENNIV), 1994, 1997.*"

The Toledo administration has declared raising the standard of living of the Peruvian population and remedying poverty to be among its most important goals. President Toledo's strategy to reduce poverty is based on:

- achieving the fiscal balance and macroeconomic stability necessary to foster private investment, both, foreign and domestic, which the administration believes will lead to economic growth and job creation; and

- directing a greater share of public funds towards social programs, particularly education and health.

These policies are reflected in the 2002 budget, which reduces overall expenditures by 1.6%, but directs approximately 46% of expenditures to social programs on education, health services and programs to alleviate poverty. The 2002 budget also increases allocations to Peru's poorest regions by 20% as compared to the 2001 budget. **[Have there been any changes to the 2002 budget?]**

Poverty in Peru has been attributed to unemployment and underemployment and the increasing disparity in income between skilled, educated workers and unskilled and relatively less educated workers. The educational system has suffered from a lack of resources and inadequate teacher training. The 2002 budget projects a 15% increase in education spending as compared to the 2001 budget. The Government's plan to improve education includes the following elements:

- improving teacher training;

- increasing gradually salaries of teachers in rural areas by a total of 30% by the year 2006;

- building more schools;

- expanding bilingual education programs; and

- providing Internet access in public schools.

One of the most significant aspects of the Toledo administration's poverty plan is the establishment of a social program known as "*A Trabajar*." *A Trabajar* is a two-year initiative that places unemployed workers in public sector jobs in the development and maintenance of infrastructure for up to six months. The program also invests in job training and technical assistance to small businesses and in improving the capacity of local governments and public sector agencies to formulate, coordinate and monitor effectively social initiatives.

14 Please provide update.

The Government expects the *A Trabajar* program to cost approximately US$597 million and expects it to generate approximately 439,500 jobs in two years. In October 2001, the Toledo administration secured US$1.0 billion from a group of 18 countries and eight international organizations to help finance the program and its other poverty initiatives. Of this amount, the Government expects approximately US$615.3 million to be disbursed in the form of donations, US$226.4 million in the form of debt exchanges and US$158.5 million in the form of credit concessions.

To date, the *A Trabajar* program has generated 57,000 jobs in 1,300 rural districts at a cost of S/. 221 million and 20,000 jobs in urban areas at a cost of S/. 44 million.

The Toledo administration's plan to reduce poverty also includes the following measures:

- a 9% nominal increase in public sector wages, implemented in 2001;
- the creation of a Peruvian agency for international cooperation to elicit and administer international financing for the Government's poverty initiatives; and
- greater investment in improving roads, sanitation facilities and sub-standard housing.

Environment

The most serious environmental problems currently confronting Peru are the scarcity and quality of the water supply, soil erosion, air pollution, deforestation and inadequate waste management in urban centers. The Republic expects to address these environmental problems through greater supervision and regulation, as well as through community and private-sector awareness and involvement.

To coordinate more efficiently the Government's environmental policies, the *Consejo Nacional del Ambiente*, or National Council for the Environment, to which we refer in this prospectus as "CONAM," has launched an environmental initiative designed to improve transparency within CONAM and improve collaboration between the central government, municipalities and environmental interest groups. CONAM has organized and trained *Comisiones Ambientales Regionales*, or Regional Environmental Commissions, to direct environmental initiatives at the regional level. CONAM has also developed a program known as the *Sistema Nacional de Información Ambiental*, or National System of Environmental Information, which seeks to create a national database of environmental statistics. CONAM's budget in 2001 was S/. 4 million. CONAM's initial budget for 2002 was S/. 5 million, less than 0.1% of the Republic's budget, but to date has been adjusted to S/. 8 million to reflect all financing sources, including the transfer to Fonam **[please confirm name]** for S/. 800 million.

The Government requests environmental impact studies before authorizing any public or private construction project. Each regulatory agency within each sector of the economy issues regulations to protect the environment and imposes its own sanctions for the violation of such rules. The Ministry of Energy and Mines has been most effective in designing an effective environmental program and is viewed as a model for other governmental agencies. The Ministry's *Programa para Ahorro de Energía*, or Energy Conservation Program, actively promotes energy conservation and fuel-efficient energy alternatives. The Ministry of Energy and Mines also developed and implemented an environmental curriculum for public schools, which emphasizes conservation.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The balance of payments accounts are used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of two accounts:

- the current account, which comprises:
  - net exports of goods and services, that is the difference in value of exports minus imports;
  - net financial and investment income; and
  - net transfers; and
- the capital account, which is the difference between financial capital inflows and financial capital outflows.

Current Account

One of the most important aspects of the current account is the trade balance. The four primary factors that drive the trade balance are the following:

- The relative rate of economic growth of a country as compared to that of its trading partners. Generally, if a country's economy grows faster than that of its trading partners, its relative level of consumption of goods and services will tend to rise and its level of imports will tend to increase more rapidly than its level of exports.

- The relative level of domestic prices against foreign prices, as reflected by the real exchange rate. Generally, if a country's domestic prices rise relative to those of its trading partners, there is a tendency for the country's level of exports to decline and for its level of imports to increase.

- Changes in production costs, technology and worker skills. More efficient production will tend to lower production costs, which in turn will tend to lower prices. As prices fall, there will be a tendency for the country's level of exports to increase.

- Changes in consumer tastes, which may affect the demand for a country's goods and services abroad and the demand for foreign products in the domestic market.

Between 1997 and 2001, the Republic's current account registered annual deficits that were completely offset by a surplus in the capital account in 1997, and only partially offset by capital account surpluses in 1998, 1999, 2000 and 2001. During this period, the current account deficit decreased from 5.8% of GDP in 1997 to 2.0% of GDP in 2001.

In 1998, the *El Niño* weather phenomenon led to a substantial decrease in the volume of fishing and agricultural exports, while sharp decreases in the international prices of the Republic's primary exports led to a significant decline in the value of total exports. As a result, Peru's trade deficit increased 43.2%, which contributed to an increase in the current account deficit to 5.9% of GDP, as compared to 1997.

In 1999, the current account deficit decreased to 2.9% of GDP, as compared to 1998. This was partly as a result of a 74.4% drop in the trade balance that was caused primarily by weaker domestic consumer demand and a decrease in private investment, which led to a decline in the level of imports. In 2000, the current account deficit remained at 2.9% of GDP, reflecting the continued recovery of fishing and agricultural exports from the effects of *El Niño*.

In 2001, the current account registered a deficit of 2.0% of GDP, as compared to a deficit of 2.9% for 2000. This lower deficit is mainly attributable to:

- a decline in imports, due to weaker domestic demand, and an increase in the volume of the Republic's primary exports, which reduced Peru's trade deficit;
- reinsurance income from abroad in response to the earthquakes that occurred in the south of the country in June and July 2001, which reduced the country's trade services deficit; and
- reduced remittances and dividends by utilities out of Peru as a result of economic instability and lower international interest rates.

During the first three months of 2002, the current account deficit decreased to 2.6% of GDP, as compared to the 3.8% of GDP recorded for the first three months of 2001, primarily due to weaker domestic consumer demand and a decrease in private investment, which led to a decline in the level of imports.

Capital Account

The capital account reflects foreign direct investment and monetary flows into and out of a nation's financial markets. Between 1997 and 2001, Peru attracted considerable foreign investment, despite significant reductions in investment inflows from 1996 to 1997 and from 1999 to 2000. For a description of foreign direct investment trends, see "—Foreign Direct Investment."

In 1997, substantial foreign capital inflows contributed to increasing surpluses in the capital account, which offset the current account deficits registered during the year. In 1997, these inflows resulted in part from the significant increase in the availability of short-term foreign credit for the Peruvian banking sector on the heels of the Brady restructuring.

In the period from 1998 to 2000, however, the capital account surplus contracted, leading to annual deficits in the Republic's balance of payments. This negative trend in the capital account was a result of significant withdrawals of short-term capital from the country in response to the adverse effects of the Asian and Russian financial crises and *El Niño's* devastating effect on Peru's primary export market. In 2000, the capital account surplus showed a slight increase from the prior year's level, despite a 63.5% drop in foreign direct investment as a result of the Republic's political turmoil, which fostered uncertainty among investors. These factors, however, were countered by a 78.8% decrease in short-term capital outflows. The sharp decrease in short-term capital outflows followed the significant prepayments in foreign debt that banking institutions undertook in 1999 in response to a tightening of domestic credit.

In 2001, the capital account registered a surplus of 2.0% of GDP, as compared to a surplus of 1.7% of GDP for 2000. Despite the political uncertainty surrounding the April 2001 elections, the capital account surplus in 2001 was due primarily to increased capital flow toward *Antamina*, the world's largest copper and zinc project, and the telecommunications sector. However, portfolio investment declined significantly, from US$123 million in 2000 to US$43 million in 2001 due to an unfavorable international economic environment.

During the first three months of 2002, the capital account surplus grew to US$406 million from US$249 million recorded for the first three months of 2001. This growth was primarily a result of a significant increase in long-term capital inflows due to the issuance of the Global Bonds by the Republic, offset in part by the prepayment of bond issues by a mining company and the acquisition of foreign bonds by the non-banking financial sector.

The following table sets forth information, based on period-end exchange rates, regarding the Republic's balance of payments for the years indicated.

Balance of Payments
(in millions of U.S. dollars, at current prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	2002
Current account:							
Trade balance:							
Exports (FOB):[1]	US$ 6,832	US$ 5,757	US$ 6,119	US$ 7,034	US$ 7,108	US$ 1,663	US$ 1,575
Imports (FOB)	(8,553)	(8,222)	(6,749)	(7,351)	(7,198)	(1,848)	(1,616)
Trade balance	(1,721)	(2,466)	(630)	(317)	(90)	(186)	(41)
Services, net	(787)	(657)	(666)	(793)	(800)	(245)	(215)
Of which:							
Net income from tourism[2]	383	392	446	381	224	19	27
Net income from transportation[3]	(608)	(651)	(556)	(617)	(657)	(165)	(143)
Financial and investment income, net[4]	(1,825)	(1,211)	(1,146)	(1,452)	(1,203)	(316)	(309)
Current transfers, net	920	977	964	993	999	259	223
Of which:							
Workers' remittances	636	647	670	718	717	182	145
Current account balance	(3,412)	(3,357)	(1,478)	(1,568)	(1,094)	(488)	(343)
Capital account:							
Foreign direct investment	2,055	1,582	1,812	662	1,063	276	224
Portfolio investment	156	(346)	(107)	123	43	(6)	18
Other medium- and long-term capital[5]	1,127	1,046	542	460	439	40	151
Of which:							
Disbursements to the public sector	1,774	790	1,237	1,485	1,344	226	1,554
Other capital, including short-term capital	2,640	(429)	(1,676)	(355)	(486)	(61)	13
Capital account balance	5,978	1,854	571	890	1,059	249	406
Errors and omissions[6]	(122)	253	102	547	452	177	38
Balance of payments	US$ 2,444	US$ (1,250)	US$ (805)	US$ (131)	US$ 417	US$ (63)	US$ 101
Financing:							
Change in gross Central Bank reserves[7]	US$ (1,660)	US$ 1,151	US$ 922	US$ 331	US$ (310)	US$ 105	US$ (34)
Use of IMF resources	(73)	(145)	(147)	(141)	(138)	(68)	(67)
Exceptional financing, net	(711)	244	30	(58)	31	26	0
Total financing	US$ (2,444)	US$ 1,250	US$ 805	US$ 131	US$ (417)	US$ 63	US$ (101)
Memorandum item:							
Current account balance (as % of GDP)	(5.8)%	(5.9)%	(2.9)%	(2.9)%	(2.0)%	(3.8)%	(2.6)%

(1) Based on customs declarations, records of temporary admissions, free-trade zone imports, grants and other adjustments.
(2) Based on a survey of tourists. Income from tourism represents the total expenditure by a tourist multiplied by the total number of tourists.
(3) Includes freight services, passenger transportation and port expenses of ships and airplanes.
(4) Includes interest payments.
(5) Includes debt amortization payments.
(6) Represents errors and omissions from double-entry accounting resulting from incomplete or overlapping coverage, different prices and incomplete times of recording and conversion practices.
(7) Refers to changes in reserves used to finance balance of payments.

Source: Central Bank

Foreign Trade[15]

In 1991, the Republic began to liberalize its trade regime through a substantial reduction in tariffs and the promotion of regional free trade agreements. Between 1995 and 1997, the Republic imposed two principal tariffs on imports, a 15% tariff applicable to raw materials used in a variety of industries and a 25% tariff imposed on capital goods and a variety of selected items. The tariff reform approved in 1997 reduced the 15% rate to 12% and the 25% rate to 20% but simultaneously increased the tariff on some agricultural goods to 25%. In April 2001, the transition government of Valentín Paniagua reduced the tariff on some raw materials from 12% to 4%.

The current import tariff structure is as follows:

- 4% tariff, which applied to 15.6% of Peru's imports in 2001, principally to raw materials used in a variety of industries, including the chemical, food, metal, mining, paper, textile and steel industries;
- 12% tariff (which replaced the 15% tariff), which applied to 73.6% of Peru's imports in 2001, including capital goods, intermediate goods and certain consumer goods and raw materials;
- 17% tariff, which applied to 1.8% of Peru's imports in 2001, including pork products, corn, sugar, beer and alcoholic beverages;
- 20% tariff (which replaced the 25% tariff), which applied to 3.5% of Peru's imports in 2001, principally a variety of selected consumer items, such as textiles, footwear, clothing, heaters, refrigerators and air conditioning equipment; and
- 25% tariff, which applied to 5.5% of Peru's imports in 2001, including milk products, meat, potatoes, onions, coffee and a number of other agricultural products.

In 2001, the effective import tariff, which varies as a function of the level of import goods subject to each prescribed tariff, was 11.8%. The Government expects the effective import tariff to be approximately ●% in 2002.

Between 1997 and 2001, the trade deficit decreased from US$1.7 billion to US$90 million due to a reduction in imports, particularly consumer and capital goods, as a result of decreased private consumption and the recovery of fishing and agricultural exports that had suffered from the effects of *El Niño*. Total exports increased from US$6.8 billion in 1997 to US$7.1 billion in 2001, with an average annual growth rate of 1.0%. Total imports decreased at an average annual rate of 4.2%, from US$8.6 billion in 1997 to US$7.2 billion in 2001. In 2001, the combined value of the Republic's imports and exports of goods equaled 33.5% of GDP and services equaled 35% of GDP. **[Verify]**

The Republic maintains close commercial ties with the United States, its principal trading partner. In 2001, approximately 24.9% of the Republic's total exports were bound for the United States, while 30.1% of total imports came from United States ports.

Peru classifies its non-free trade zone exports as traditional and non-traditional exports. Traditional exports consist of goods that historically have constituted a greater share of Peru's exports and include mostly raw materials. Non-traditional export goods include goods that historically have not been exported in significant quantities and traditional export goods that have been transformed through manufacturing or other processing into non-traditional export goods.

In 2001, Peru's most important exports consisted of:

- traditional mining exports, such as gold, silver, copper, zinc and lead, valued at US$3.2 billion, representing 44.9% of total exports;

[15] Update discussion as appropriate.

- traditional fishing exports, such as fishmeal and fish oil, valued at US$926 million, representing 13.0% of total exports;
- non-traditional textile exports, such as textile fibers and cloth, valued at US$664 million, representing 9.3% of total exports; and
- non-traditional agriculture and livestock exports valued at US$437 million, representing 6.2% of total exports.

The following tables set forth further information regarding exports for the years indicated.

Exports
(in millions of U.S. dollars, at current prices)

						For the first 3 months of:	
	1997	1998	1999	2000	2001	2001	2002
Traditional:							
Fishing	US$1,126	US$ 410	US$ 601	US$ 955	US$ 926	US$ 194	US$ 106
Agricultural	472	323	282	249	207	22	14
Mining	2,731	2,747	3,008	3,216	3,188	732	837
Oil and derivatives	376	233	251	402	421	101	88
Total traditional	4,705	3,712	4,142	4,821	4,743	1,049	1,045
Non-traditional:							
Agriculture and livestock	340	302	406	394	437	102	126
Textiles	573	534	575	701	664	178	154
Fishing	278	225	190	177	197	51	45
Fabricated metal products and machinery	57	105	76	96	158	28	22
Chemical	206	196	195	212	246	61	57
Basic metal industries	234	222	198	215	189	55	37
Non-metallic minerals	51	52	51	47	58	13	14
Other(1)	308	331	185	202	232	48	55
Total non-traditional	2,046	1,967	1,876	2,044	2,181	536	510
Other:							
Fishing permits	7	0	31	83	102	58	3
Other(2)	73	78	69	86	82	20	17
Total other	81	78	100	169	184	77	20
Total exports	US$6,832	US$5,757	US$6,119	US$7,034	US$7,108	US$1,663	US$1,575

(1) Includes gold and silver jewelry, wood and paper, leather and handcrafts.
(2) Includes the sale of fuel and food to foreign vessels and the reparation of capital goods.
Source: Central Bank.

Exports
(as a percentage of total exports, at current prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	2002
Traditional:							
Fishing	16.5%	7.1%	9.8%	13.6%	13.0%	11.7%	6.7%
Agricultural	6.9	5.6	4.6	3.5	2.9	1.3	0.9
Mining	40.0	47.7	49.2	45.7	44.9	44.0	53.2
Oil and derivatives	5.5	4.0	4.1	5.7	5.9	6.1	5.6
Total traditional	68.9	64.5	67.7	68.5	66.7	63.1	66.3
Non-traditional:							
Agriculture and livestock	5.0	5.2	6.6	5.6	6.2	6.1	8.0
Textiles	8.4	9.3	9.4	10.0	9.3	10.7	9.8
Fishing	4.1	3.9	3.1	2.5	2.8	3.1	2.8
Fabricated metal products and machinery	0.8	1.8	1.2	1.4	2.2	1.7	1.4
Chemical	3.0	3.4	3.2	3.0	3.5	3.7	3.6
Basic metal industries	3.4	3.9	3.2	3.1	2.7	3.3	2.3
Non-metallic minerals	0.8	0.9	0.8	0.7	0.8	0.8	0.9
Other(1)	4.5	5.8	3.0	2.9	3.3	2.9	3.5
Total non-traditional	30.0	34.2	30.7	29.1	30.7	32.3	32.4
Other:							
Fishing permits	0.1	0.0	0.5	1.2	1.4	3.5	0.2
Other(2)	1.1	1.4	1.1	1.2	1.2	1.2	1.1
Total other	1.2	1.4	1.6	2.4	2.6	4.7	1.3
Total exports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes gold and silver jewelry, wood and paper, leather and handcrafts.
(2) Includes the sale of fuel and food to foreign vessels and the reparation of capital goods.
Source: Central Bank.

Geographic Distribution of Exports
(as a percentage of total exports, at current prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	2002
United States	23.6%	32.7%	29.2%	27.5%	24.9%	23.9%	26.7%
Canada	1.8	2.2	2.0	1.8	2.0	1.1	2.9
Mexico	1.7	2.4	2.8	2.2	1.8	1.9	1.4
Total North America	27.0	37.3	34.0	31.4	28.7	26.8	30.9
Brazil	3.8	3.1	2.9	3.2	3.2	3.8	3.3
Colombia	2.3	2.5	1.7	2.1	2.2	2.2	2.4
Chile	2.0	2.4	2.9	3.8	4.0	3.7	3.6
Venezuela	2.1	1.9	1.5	1.6	2.1	2.1	1.8
Other	6.1	5.7	4.8	5.8	6.5	7.9	6.2
Total Latin America and the Caribbean	16.2	15.7	13.8	16.5	18.0	19.7	17.4
United Kingdom	4.5	4.9	9.4	8.4	13.4	13.0	12.8
Switzerland	6.1	8.5	9.2	7.9	4.4	4.3	6.9
Germany	5.7	4.1	4.1	3.1	3.0	1.8	2.7
Spain	2.3	2.7	3.0	2.7	3.0	3.0	3.3
Other	13.4	11.7	10.1	8.6	8.5	8.4	8.7
Total Europe	32.0	31.9	35.8	30.7	32.3	30.5	34.3
Japan	7.1	3.8	4.3	5.5	6.5	8.4	4.8
China	7.3	4.1	3.6	6.4	6.1	5.0	6.1
Other	8.9	6.3	7.5	8.2	7.3	8.8	6.0
Total Asia	23.3	14.2	15.4	20.2	19.8	22.1	16.9
Africa and others	1.5	0.8	1.0	1.3	1.1	0.8	0.5
Total exports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Central Bank.

In 2001, Peru's most important imports consisted of:

- intermediate goods, such as fuels and raw materials for agricultural and industrial production, valued at US$3.6 billion, representing 50.1% of total imports;
- capital goods, such as transportation and building equipment, valued at US$1.9 billion, representing 26.6% of total imports; and
- consumer goods valued at US$1.6 billion, representing 21.8% of total imports.

The following tables set forth further information regarding imports for the years indicated.

Imports
(in millions of U.S. dollars, at current prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	For the first 3 months of: 2002
Consumer goods:							
Durable goods	US$ 803	US$ 738	US$ 506	US$ 587	631	US$ 146	US$ 142
Non-durable goods	1,107	1,146	927	859	936	215	222
Total consumer goods	1,910	1,884	1,432	1,446	1,567	361	363
Intermediate goods:							
Petroleum products, lubricants	780	580	641	1,084	907	218	162
Raw materials for agriculture	202	204	186	214	232	59	57
Raw materials for manufacturing	2,454	2,602	2,179	2,357	2,467	610	583
Total intermediate goods	3,437	3,386	3,006	3,654	3,607	887	802
Capital goods:							
Construction materials	244	215	199	211	169	47	66
For agriculture	28	45	62	30	20	3	4
For manufacturing	2,037	1,768	1,395	1,427	1,351	414	280
Transportation equipment	507	574	477	440	371	92	85
Total capital goods	2,816	2,602	2,133	2,109	1,911	556	435
Other	390	350	178	142	113	45	15
Total imports	US$ 8,553	US$ 8,222	US$ 6,749	US$ 7,351	US$ 7,198	US$ 1,848	US$ 1,616
Memorandum items:							
Temporal admission imports(1)	US$ 278	US$ 326	US$ 246	US$ 305	US$ 306	US$ 72	US$ 72
Imports into free trade zones(2)	69	40	35	39	41	10	11

(1) Represents imports not subject to tariffs but which must be processed and exported within a definite period of time.
(2) Imports through the Special Zone of Tacna (Zotac), which is primarily dedicated to the assembly of motor vehicles. Peru has five free trade zones but only the Tacna zone is actively producing.
Source: Central Bank.

Imports
(as a percentage of total imports, at current prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	2002
Consumer goods:							
Durable goods	9.4%	9.0%	7.5%	8.0%	8.8%	7.9%	8.8%
Non-durable goods	12.9	13.9	13.7	11.7	13.0	11.6	13.7
Total consumer goods	22.3	22.9	21.2	19.7	21.8	19.5	22.5
Intermediate goods:							
Petroleum products, lubricants	9.1	7.1	9.5	14.7	12.6	11.8	10.0
Raw materials for agriculture	2.4	2.5	2.8	2.9	3.2	3.2	3.5
Raw materials for manufacturing	28.7	31.6	32.3	32.1	34.3	33.0	36.1
Total intermediate goods	40.2	41.2	44.5	49.7	50.1	48.0	49.7
Capital goods:							
Construction materials	2.9	2.6	2.9	2.9	2.3	2.5	4.1
For agriculture	0.3	0.5	0.9	0.4	0.3	0.2	0.3
For manufacturing	23.8	21.5	20.7	19.4	18.8	22.4	17.3
Transportation equipment	5.9	7.0	7.1	6.0	5.2	5.0	5.2
Total capital goods	32.9	31.7	31.6	28.7	26.6	30.1	26.9
Other	4.6	4.3	2.6	1.9	1.6	2.4	1.0
Total imports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Memorandum items:							
Temporal admission imports(1)	3.3	4.0	3.6	4.1	4.3	3.9	4.5
Imports into free trade zones(2)	0.8	0.5	0.5	0.5	0.6	0.5	0.7

(1) Represents imports not subject to tariffs but which must be processed and exported within a definite period of time.
(2) Imports through the Special Zone of Tacna (Zotac), which is primarily dedicated to the assembly of motor vehicles. Peru has five free trade zones but only the Tacna zone is actively producing.
Source: Central Bank.

Geographic Distribution of Imports
(percentage of total imports, at current prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	2002
United States	31.9%	32.4%	31.6%	29.7%	30.1%	31.2%	28.5%
Canada	2.8	2.3	2.0	2.5	1.4	1.5	1.1
Mexico	3.2	2.9	2.7	2.9	2.6	2.5	2.8
Total North America	37.9	37.7	36.4	35.1	34.1	35.2	32.4
Brazil	4.1	4.2	3.9	4.4	3.9	4.0	4.7
Colombia	4.2	3.2	4.7	4.7	4.0	4.0	4.4
Chile	5.6	5.6	6.7	7.1	8.0	7.3	8.1
Venezuela	4.4	3.3	4.4	4.8	4.0	3.1	3.6
Other	9.1	9.3	8.1	8.9	10.7	10.8	12.7
Total Latin America and the Caribbean	27.4	25.6	27.9	29.9	30.5	29.1	33.5
United Kingdom	1.2	1.6	1.2	1.4	1.1	1.1	1.2
Switzerland	1.1	1.4	1.6	1.4	1.4	1.8	1.5
Germany	3.6	4.3	3.8	3.1	3.4	2.9	3.8
Spain	8.5	7.4	7.5	9.2	8.8	7.2	6.5
Other	8.5	9.3	8.7	7.6	7.5	7.9	7.5
Total Europe	23.0	24.0	22.7	22.7	22.1	20.9	20.5
Japan	3.8	4.3	4.6	4.2	3.4	4.8	2.9
China	1.4	1.3	1.7	1.8	1.9	1.7	2.6
Other	5.3	5.8	5.3	5.2	6.3	6.0	7.1
Total Asia	10.5	11.4	11.6	11.2	11.6	12.4	12.5
Africa and others	1.3	1.3	1.4	1.1	1.6	2.4	1.0
Total imports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Central Bank.

Services Trade

The Republic's services trade consists primarily of tourism, telecommunications, freight services and financial services. Of these, the most important is tourism. [Tourism is the most important individual item driving Peru's foreign currency earnings. The commerce, restaurants and hotel sectors, as well as the construction and real estate services sectors, depend significantly on tourism.] **[Verify]** From 1997 to 2001, growth in gross income from tourism remained flat, with US$816 million, or 1.4% of GDP, recorded in 1997 and US$817 million, or 1.5% of GDP, recorded in 2001. In 1998, gross income from tourism increased 3.6%, as compared to the level registered for 1997 despite the adverse effects of *El Niño* on the Republic's infrastructure and economy. In 2000, gross income from tourism increased by 2.4%, as compared to the level registered in 1999, despite the Republic's political crisis. In 2001, net income from tourism decreased by 40.9% as compared to 2000 as a result of recessionary conditions abroad and the effects of September 11, 2001.

In 2000, the Republic attracted visitors principally from the United States (22%), Chile (19%), Argentina (5%) and France and England (8.3%).

Tourism Statistics

	1997	1998	1999	2000	2001	Mar. 02
Foreign non-resident arrivals[1]	746,599	819,530	943,917	1,026,867	1,009,512	258,117
Average length of stay (number of nights)[2]	8.1	9.3	10.3	10.1	n.d.	n.d.
Hotel activity:						
Number of rooms available*	93,606	98,375	104,474	114,581	118,823	118,823
Occupancy rate by total number of rooms available (in %)[3]	32.3%	29.9%	28.7%	27.2%	25.4%	23.7%
Aggregate value of hotels and restaurants (as % of GDP)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income from tourism (in millions of US$)[4]	US$816	US$845	US$890	US$911	US$817	US$188
Expenses from tourism (in millions of US$)[5]	(434)	(452)	(443)	(530)	(592)	(160)
Balance (income less expenses, in millions of US$)	US$382	US$393	US$447	US$381	US$225	US$28

(1) Preliminary estimates.
(2) Represents an average calculated on the basis of a survey of arriving foreign non-residents.
(3) Preliminary figures.
(4) Represents amounts spent by foreigners in Peru.
(5) Represents amounts spent by Peruvians abroad.
(*) Preliminary estimates for 2001 and March 2002.
Source: Dirección General de Migraciones y Naturalización (Office of Migration and Naturalization), Central Bank, MITINCI and INEI.

Foreign Direct Investment

Peru has an open investment regime and a legal framework that generally promotes and protects foreign investment. The basis of this open investment regime was established in 1991 through the Foreign Investment Promotion Act, the Private Investment Growth Framework Act and Legislative Decree No. 662. Legislative Decree No. 622 allows both foreign and domestic investors to enter into legal stability agreements with the Government. For a description of these measures, see "The Economy—Privatization and Role of the State in the Economy."

As of March 2002, approximately US$10.6 billion in foreign funds were directly invested in the Peruvian economy. This high level of foreign investment is a result of various factors, including:

- the relative social and political stability achieved between 1994 and 1998 that resulted from the Fujimori administration's successful campaign against subversive movements and the peace settlement reached with Ecuador in 1998;
- the continued erosion of protectionist and interventionist policies through a reduction in tariffs, simplification of the tax system and the elimination of subsidies; and
- the influx of foreign capital in connection with the Government's privatization program.

Foreign direct investment increased 60.6% in 2001 to US$1.1 billion, as compared to the level registered for 2000. This increase was a result of greater investor confidence in light of the increased political stability during 2001. **[Confirm]** Foreign investments related to privatizations, however, increased 16.6% in 2001 to US$267 million, as compared to the level registered for 2000, as a result of the Government's sale of remnant shares in companies already privatized. During 2001, the Republic consummated 14 privatizations and concession grants for US$225 million and that generated US$95 million in additional investment.

For the first three months of 2002, foreign direct investment totaled US$224 million, an 18.8% decrease over the level registered for the same period of 2001. **[Explain decrease]** Of this amount, US$96 million was related to privatizations. **[Update number]** For 2002, the Republic expects foreign direct investment to total US$● million and concession receipts to total approximately US$262 million. The privatization program has been suspended until after the November regional elections and the Republic expects to receive further privatization receipts in 2002. **[From a resumption of the program?]**

The main recipients of foreign direct investment in recent years have been the telecommunications, mining, energy, industry and finance sectors.

The following table sets forth information on the stock of foreign direct investment registered with CONITE by sector for the years indicated. The stock of foreign direct investment refers to the level of foreign funds directly invested in the Peruvian economy as of the dates indicated and does not reflect investment flows.

Registered Stock of Foreign Direct Investment by Sector(1)
(in millions of U.S. dollars and as a percentage of the total accumulated stock of foreign direct investment, at current prices)

	December 31,										As of March 31,	
	1997		1998		1999		2000		2001		2002(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Agriculture	8	0	26	0	42	0	44	0	44	0	44	0
Commerce	444	6	551	7	558	6	815	8	830	8	830	8
Telecommunications	2,025	28	2,099	26	2,354	25	2,638	26	2,784	26	2,784	26
Construction	33	0	44	1	56	1	60	1	70	1	70	1
Energy	1,268	17	1,364	17	1,515	16	1,511	15	1,504	14	1,509	14
Finance	786	11	911	11	1,401	15	1,456	14	1,647	16	1,647	16
Industry	1,250	17	1,389	17	1,515	16	1,562	15	1,566	15	1,566	15
Mining	1,231	17	1,372	17	1,653	17	1,688	17	1,692	16	1,692	16
Fishery	1	0	1	0	1	0	1	0	1	0	1	0
Petroleum	98	1	98	1	98	1	98	1	98	1	98	1
Services	73	1	91	1	108	1	126	1	138	1	138	1
Forestry	1	0	1	0	1	0	1	0	1	0	1	0
Transportation	17	0	82	1	82	1	93	1	106	1	119	1
Tourism	36	1	42	1	58	1	58	1	58	1	58	1
Housing	10	0	11	0	13	0	13	0	15	0	15	0
Total	7,280	100	8,081	100	9,455	100	10,164	100	10,553	100	10,571	100

(1) Principal foreign direct investment with privatization, as registered with CONITE. Foreign direct investment figures for balance-of-payments purposes reflect inflows and outflows of capital for a particular period and are compiled by the Central Bank. CONITE and the Central Bank employ different methodologies when calculating foreign direct investment; CONITE only considers shareholder capital, while the Central Bank includes additional elements.

(2) Preliminary data.

Source: CONITE.

Foreign direct investment in Peru has come primarily from Spain, the United States and the United Kingdom, which, combined, accounted for 66.3%, on average, of total foreign direct investment that entered Peru each year from 1997 to 2001.

The following tables set forth information on the stock of foreign direct investment by country of origin, as a percentage of total foreign direct investment, as registered with CONITE, for the periods indicated.

Registered Stock of Foreign Direct Investment by Country of Origin
(in millions of U.S. dollars, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Argentina	US$ 105.2	US$ 142.0	US$ 62.6	US$ 65.1	US$ 65.1	US$ 65.1
Austria	3.4	3.4	3.4	3.4	3.4	3.4
Bahrain	25.0	25.0	25.0	25.0	25.0	25.0
Bolivia	4.7	4.7	4.7	4.7	4.7	4.7
Brazil	38.7	39.8	54.6	54.9	55.2	55.2
Canada	119.9	150.6	157.9	159.3	159.3	159.3
Chile	289.9	324.8	424.0	443.7	555.7	555.7
China	122.2	122.2	122.2	122.2	122.2	122.2
Colombia	29.4	62.8	71.5	71.7	79.0	79.0
Denmark	0.7	0.7	0.7	0.7	0.7	0.7
Ecuador	22.1	22.3	31.9	35.5	35.5	35.5
France	60.6	64.6	147.2	198.7	235.2	235.2
Germany	40.1	51.8	60.9	70.8	87.7	94.1
Italy	33.0	33.0	33.0	37.7	45.5	50.3
Japan	42.7	45.0	71.8	99.1	99.1	99.1
Korea	7.5	9.5	19.5	20.7	20.7	20.7
Liberia	0.8	0.8	0.8	0.8	0.8	0.8
Liechtenstein	17.6	12.8	15.8	13.9	13.9	13.9
Luxembourg	16.1	22.2	22.2	22.2	26.1	26.1
Mexico	10.6	30.3	32.7	34.1	36.1	36.1
Netherlands	484.8	500.4	593.2	787.0	868.8	868.8
New Zealand	3.5	3.5	6.9	6.9	6.9	6.9
Panama	500.0	520.9	539.5	541.3	544.1	544.2
Rumania	3.5	3.5	3.5	3.5	3.5	3.5
Spain	2,355.7	2,387.2	2,411.4	2,424.5	2,424.5	2,424.5
Sweden	43.5	46.4	46.6	59.6	56.9	56.9
Switzerland	181.9	186.8	204.0	210.3	213.6	213.6
United Kingdom	1,006.2	1,296.8	2,046.7	2,252.5	2,458.8	2,465.3
United States	1,491.1	1,665.9	1,924.3	2,068.0	1,962.9	1,962.9
Uruguay	81.9	110.9	119.2	127.5	142.5	142.5
Venezuela	10.2	10.7	10.5	10.2	10.2	10.2
Other	127.8	179.7	187.1	189.1	190.0	190.0
Total	US$ 7,280.3	US$ 8,080.9	US$ 9,455.2	US$10,164.5	US$10,553.4	US$10,571.2

Source: CONITE.

Registered Stock of Foreign Direct Investment by Country of Origin
(as a percentage of total direct investment, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Argentina	1.5%	1.8%	0.7%	0.6%	0.6%	0.6%
Austria	0.1	0.0	0.0	0.0	0.0	0.0
Bahrain	0.3	0.3	0.3	0.3	0.2	0.2
Bolivia	0.1	0.1	0.1	0.1	0.0	0.0
Brazil	0.5	0.5	0.6	0.5	0.5	0.5
Canada	1.7	1.9	1.7	1.6	1.5	1.5
Chile	4.0	4.0	4.5	4.4	5.3	5.3
China	1.7	1.5	1.3	1.2	1.2	1.2
Colombia	0.4	0.8	0.8	0.7	0.8	0.8
Denmark	0.0	0.0	0.0	0.0	0.0	0.0
Ecuador	0.3	0.3	0.3	0.4	0.3	0.3
France	0.8	0.8	1.6	2.0	2.2	2.2
Germany	0.6	0.6	0.6	0.7	0.8	0.9
Italy	0.5	0.4	0.4	0.4	0.4	0.5
Japan	0.6	0.6	0.8	1.0	0.9	0.9
Korea	0.1	0.1	0.2	0.2	0.2	0.2
Liberia	0.0	0.0	0.0	0.0	0.0	0.0
Liechtenstein	0.2	0.2	0.2	0.1	0.1	0.1
Luxembourg	0.2	0.3	0.2	0.2	0.3	0.3
Mexico	0.2	0.4	0.4	0.3	0.3	0.3
Netherlands	6.7	6.2	6.3	7.7	8.2	8.2
New Zealand	0.1	0.0	0.1	0.1	0.1	0.1
Panama	6.9	6.5	5.7	5.3	5.2	5.2
Rumania	0.1	0.0	0.0	0.0	0.0	0.0
Spain	32.4	29.5	25.5	23.9	23.0	22.9
Sweden	0.6	0.6	0.5	0.6	0.5	0.5
Switzerland	2.5	2.3	2.2	2.1	2.0	2.0
United Kingdom	13.8	16.1	21.7	22.2	23.3	23.3
United States	20.5	20.6	20.4	20.4	18.6	18.6
Uruguay	1.1	1.4	1.3	1.3	1.4	1.4
Venezuela	0.1	0.1	0.1	0.1	0.1	0.1
Other	1.8	2.2	2.0	1.9	1.8	1.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CONITE.

Portfolio Investment

The Republic experienced portfolio capital inflows of US$156 million in 1997. The Republic, however, experienced portfolio capital outflows of US$346 million in 1998 and US$107 million in 1999 as a result of the adverse effects that the Asian and Russian financial crises and the devaluation of the Brazilian *real* in 1999 had on investment in emerging markets. In 2000, capital inflows increased to US$123 million despite the Republic's political instability, principally as a result of *Telefónica del Peru's* repurchase of its own ADRs. To discourage speculative capital from entering the country, the Central Bank has established a marginal minimum reserve requirement of 20% on new foreign currency deposits, those deposited within the current year, in Peruvian banks. In 2001, capital inflows decreased to US$43 million, primarily due to purchases by non-Peruvians of the stock of *Compañía De Minas Buenaventura* and *Empresa Minera Iscaycruz S.A.*, which were partially offset by the sale of the stock of *Union Cervecerias Backus y Johnston* and *Cementos Limo*.

THE MONETARY SYSTEM

Central Bank

Established in 1922, the Central Bank serves as the monetary authority of the Republic. The Bank exists and operates pursuant to Chapter V of the 1993 Constitution and the *Ley Orgánica del Banco Central de Reservas del Perú* enacted that same year, which we refer to in this prospectus as the "Central Bank's Charter." The 1993 Constitution and the Central Bank's Charter vest the Central Bank with authority to control the monetary base, manage the Republic's international reserves and gather and publish data on the Republic's finances. The Central Bank is also the sole issuer of Peruvian currency.

The Central Bank is headed by a board of directors, which we refer to in this prospectus as the "Central Bank's Board," composed of seven members who each serve five-year terms that are coterminous with the Peruvian President's term. Congress appoints three of the Central Bank's directors, and the President appoints four, including the president of the Central Bank's Board. Appointment of the president of the Central Bank's Board is subject to ratification by Congress. The Central Bank's Charter requires the members of the Central Bank's Board to have extensive experience and knowledge in economics and finance. The responsibilities of the Central Bank's Board include formulating a monetary program setting forth liquidity and monetary base growth rates consistent with its inflation objectives and the Republic's growth assumptions.

The day-to-day operations of the Central Bank are under the supervision of its General Manager and a Money and Foreign Exchange Committee. This committee meets daily to decide on monetary operations, such as the amount of dollars to be purchased in the foreign exchange market, whether to auction Central Bank certificates of deposit, and the interest rate that the Central Bank will charge on short term credits, generally known as the discount rate.

Reform of the Central Bank and of the Republic's monetary policy has been a centerpiece of the Republic's economic program that began in the early 1990s. These reforms were premised on the following two key elements that were promulgated under the 1993 Constitution and the Central Bank's Charter:

- the Central Bank's principal purpose is to maintain price stability by preserving the value of the currency; and
- the Central Bank possesses full autonomy.

These reforms were implemented to address the high rates of inflation that Peru, along with other countries in the region, experienced during the 1980s and early 1990s. The premise underlying these reforms was that the Central Bank could contribute most effectively to economic prosperity by focusing its activities on achieving stable prices. Prior to the 1991-1993 reforms, the Central Bank operated under a much broader mandate that made it directly responsible for fueling growth and for establishing credit and exchange rate conditions. Pursuit of these broader and occasionally incompatible objectives resulted in erratic policy choices that exacerbated adverse economic conditions and contributed to the hyperinflation experienced in the late 1980s and early 1990s.

The Central Bank was granted autonomy based on the premise that, to operate effectively, the Central Bank has to be immune from political pressures. In the past, the Central Bank had often been required to pursue ill-advised policies, such as printing currency in order to finance public spending, as a result of government intervention. Since the reforms were implemented, technical rather than political management of the Republic's monetary policy has built confidence in the Government's ability to formulate and implement a sound and stable monetary policy.

The 1993 Constitution and the Central Bank's Charter guaranteed the autonomy of the Central Bank by prohibiting it from:

- providing financing to the public sector, except indirectly through limited purchases of treasury bonds;
- issuing guarantee certificates, surety bonds or any other kind of guarantees, using any other form of indirect financing, or providing insurance of any kind;
- imposing sectoral or regional ratios on the composition of the loan portfolios of financial institutions; and
- establishing multiple currency exchange regimes.

The reform of the Central Bank's role has been instrumental in the drastic drop in inflation experienced during the 1990s. Between 1994 and 2000, the Central Bank met or slightly exceeded its annual inflation targets. During 2001, the Central Bank maintained a restrictive monetary policy that produced a marked declaration in the CPI, which fell 0.13%. This record has served to foster confidence in the stability of the Peruvian currency.

Monetary Policy

The Central Bank's overarching goal is to maintain a stable monetary environment, with low levels of inflation. Accordingly, the Central Bank establishes a target inflation rate for each fiscal year and has, since 1994, announced this target rate in order to shape market expectations.

The Central Bank has chosen as its main variable for maintaining price stability the growth rate of the monetary base. Accordingly, subject to occasional intervention by the Central Bank in the foreign exchange market to prevent drastic exchange rate fluctuations, both exchange rates and interest rates are allowed to float freely according to market conditions. The Central Bank establishes an annual target growth rate for the monetary base based on Peru's projected GDP and inflation rate. In order to control the growth rate of the monetary base, the Central Bank monitors and regulates the daily level of liquidity of the banking system, which it tracks by monitoring the average level of bank deposits held at the Central Bank. These deposits are used for the Republic's clearing system, and are also used by banks for the payment of taxes, and by *Banco de la Nación* to make payments on behalf of the Republic. Accordingly, they provide a fairly accurate picture of the daily level of liquidity of the banking system.

The Central Bank establishes a target range for bank deposits held at the Central Bank, which it adjusts and publishes on a monthly basis. The Central Bank employs several tools to ensure that the actual level of bank deposits falls within its specified target. These tools fall into three major categories:

- open market operations, which include:
  - auctions to financial institutions of Central Bank certificates of deposit;
  - temporary purchases of Central Bank certificates of deposits and of treasury bonds;
  - auctions to financial institutions of monies owned by *Banco de la Nación*; and
  - purchases and sales of foreign currencies in the interbank market;

- discount-window transactions, which include:
  - monetary regulation loans, generally known as rediscounts, which consist of short-term loans made directly by the Central Bank to financial institutions to cover their short-term liquidity needs;
  - overnight foreign currency swaps that allow the Central Bank to provide financial institutions with short-term liquidity; and
  - remunerated overnight deposits in the Central Bank, in both domestic and foreign currency, which allow the Central Bank to remove excess liquidity from the banking system; and
- minimum reserve requirements.

Currently, the minimum reserve requirement for local currency deposits is 6%. New foreign currency deposits, those deposited within the current calendar year, are subject to a 20% marginal rate, while foreign currency deposits placed in prior years are subject to the reserve rate applicable in the year they were deposited. Currently, 33%, on average, of total foreign currency deposits must be kept as reserves. The Central bank generally adjusts the marginal rate applicable to foreign currency deposits, but may from time to time adjust the average rate as a tool of monetary policy. Financial institutions may satisfy the minimum reserve requirements with funds they hold in cash or cash equivalents or which they have deposited in their accounts at the Central Bank, so long as they maintain at least 1% of local and foreign currency deposited in the Central Bank.

The Central Bank increasingly relies on market operations to regulate the liquidity of the banking system, and promotes the perception of the Central Bank as a lender of last resort by imposing above-market rates and commissions on discount-window transactions.

The significant volatility of short-term capital flows has been a destabilizing factor in Peru's monetary system. Between 1997 and 2001, short-term capital fluctuated between a high of US$2.6 billion, or 4.5% of GDP, in inflows in 1997 to US$1.7 billion, or 3.2% of GDP, in outflows in 1999. In contrast, medium- and long-term capital remained relatively stable between 1997 and 1998, with levels at US$1.1 billion and US$1.0 billion respectively, and from 1999 to 2001, fluctuating between a high of US$542 million, or 1.1% of GDP, in inflows in 1999 to a low of US$439 million, or 0.8% of GDP, in inflows in 2001. To confront the volatility of short-term capital flows, the Central Bank generally prescribes high foreign currency reserve requirements that discourage significant capital outflows and promote holdings of local currency.

Despite the positive impact it may have on reducing cross-border transaction costs and in preserving purchasing power, the high level of dollarization of the Peruvian economy has also hampered monetary policy by undermining the Central Bank's ability to control the money supply. Dollarization generally refers to the degree to which the U.S. dollar has displaced Peru's domestic currency in the economy. Dollarization began during the 1980s as inflation rates started to rise. As inflation reached triple-digit rates between 1983 and 1985, foreign currency-denominated assets were increasingly used to store value. By 1990, when the inflation rate had reached 7,650%, 47% of total deposits in the domestic financial system, and 76% of total deposits held by Peruvians domestically and abroad, were denominated in dollars. During the 1990s, the Peruvian economy remained highly dollarized. As of March 31, 2002, dollar-denominated deposits equaled 78% of total domestic deposits.

Mitigating the impact that dollarization has had on monetary policy is the fact that domestic currency has retained its role as the principal means of payment, while foreign currency has been used primarily as a savings mechanism. The continued demand for local currency in the vast majority of transactions that take place in the Peruvian economy has preserved local currency as the main channel through which the Central Bank can affect aggregate demand and thus control inflation. The Central Bank expects that as it continues to meet its inflation targets, confidence in the value of the local currency will grow, gradually restoring the nuevo sol as the principal means of savings.

Supervision of the Financial System

Established in 1931, the *Superintendencia de Banca y Seguros*, or Banking and Insurance Superintendency, which we refer to in this prospectus as the "SBS," is responsible for regulating and supervising the financial, insurance and private social security systems in Peru. Since 1979, the SBS has had institutional autonomy from the *Ministerio de Economía y Finanzas*, which we refer to in this prospectus as the "Ministry of Economy." In 1981, the first *Ley Orgánica de la Superintendencia de Banca y Seguros*, or Banking and Insurance Superintendency Charter, was adopted, which outlined in greater detail the powers and functions of the SBS. The role of the SBS was expanded in 2000, when it was given jurisdiction over the private social security system.

The overarching goal of the SBS is to protect the interests of customers, depositors and beneficiaries of the financial, insurance and private social security systems, by ensuring the solvency and integrity of the companies that operate in this sector. In recent years, the SBS has pursued this goal from a free-market perspective, stepping away from the interventionist model that characterized the financial industry until the early 1990s. Accordingly, it has sought to create incentives for financial institutions to manage adequately their levels of risk, while imposing minimum standards to ensure that the integrity and solvency of the industry are not jeopardized.

Under current banking law, and the regulatory norms and guidelines adopted by the SBS, financial institutions are subject to the following three basic types of regulations:

- Market-entry requirements designed to ensure that the regulated entities have minimal capital levels to conduct their business and are otherwise reliable financial agents. In particular, the SBS requires that financial institutions have a capital base of no less than US$5.0 million and be managed by competent teams composed of persons of high integrity, aptitude and expertise in their particular fields.

- Prudential standards designed to ensure that the quality of the financial system's loan portfolio meets minimum levels. These prudential standards include the following requirements:

  - Strict limits on credit concentration. Financial institutions may not lend an amount equal to or greater than 10% of their capital to any single person or entity. This limit may be raised to 30% depending on the type of guarantee or security offered. Additionally, financial institutions may not lend more than 5% to any single person or entity residing abroad. This limit may be raised to 10% depending on the type of guarantee or security offered. The 1996 Banking Law also prescribes special limits for particular kinds of credits, such as loans to affiliates and other financial institutions, foreign and domestic.

  - Capital adequacy ratios. The risk-weighted assets of financial institutions may not exceed eleven times their net worth—a stricter standard than the Basel Accord guidelines.

  - Loan-loss reserve requirements that are strictly enforced. These requirements range from a minimum 1% reserve for loans with normal risk levels, to a maximum 100% reserve for loans that are being recovered in court, which must be treated as a loss.

- Disclosure requirements, designed to provide regulators, economic agents in other sectors of the economy and the public, with sufficient information to evaluate the activities of financial institutions. The principal requirements are as follows:

  - Banks must register their shares on the *Bolsa de Valores de Lima*, which we refer to in this prospectus as the "Lima Stock Exchange," and thereby become subject to the disclosure guidelines established by the *Comisión Nacional Supervisora de Empresas y Valores*, or National Supervisory Commission of Companies and Securities, which we refer to in this prospectus as "CONASEV."

  - Banks are required to publish their quarterly financial statements in major newspapers.

- CONASEV must publish each month an assessment of the loan portfolio quality of banks.

- The credit risk of banks must be assessed every semester by two credit rating agencies, and these ratings must be published in major newspapers.

With respect to loan-loss reserve requirements, current regulations base the risk classification of outstanding credits primarily on the number of days a particular credit is past due. However, for commercial loans, a bank may also take into consideration the debtor's level of solvency, economic trends in the debtor's line of business and the quality of the debtor's management and control systems. Additionally, guarantees or collateral may affect the specific level of reserves that must be maintained with respect to a particular credit.

Set forth below is the risk-classification scheme mandated by the SBS:

Risk Category	Criteria
Normal:	
Commercial loans	0 days past due, high solvency, growing economic sector, adequate management and control systems.
Consumer loans	Up to 8 days past due.
Mortgage loans	Up to 30 days past due.
Potential problems:	
Commercial loans......	Based on cash flow analysis the company is able to fulfill all of its financial obligations, exhibits moderate solvency and adequate management and control systems, but is part of a temporarily destabilized economic sector.
Consumer loans	9 to 30 days past due.
Mortgage loans	31 to 90 days past due.
Deficient:	
Commercial loans......	60 to 120 days past due, moderate to low solvency, unclear tendency in economic sector, inadequate management and control systems.
Consumer loans	31 to 60 days past due.
Mortgage loans	91 to 120 days past due.
Doubtful:	
Commercial loans......	121 to 365 days past due, low solvency, falling revenues in economic sector, inadequate management and control systems.
Consumer loans	61 to 120 days past due.
Mortgage loans	121 to 365 days past due.
Loss:	
Commercial loans......	More than 365 days past due, debtor insolvent, structural problems in economic sector, inadequate management and control systems.
Consumer loans	More than 120 days past due.
Mortgage loans	More than 365 days past due.

Source: SBS.

The following table sets forth the required loan-loss reserves currently in effect:

Required Loan-Loss Reserves by Risk Category
(as a percentage of total portfolio)

	Loan-loss reserve		
	With liquid guarantees	With guarantees	Without guarantees
Normal:			
Fixed	0.75%	0.75%	0.75%
Variable[(1)]	0.25	0.25	0.25
Potential problems:			
Fixed	0.75	1.25	3.75
Variable[(1)]	1.75	1.25	1.25
Deficient	12.5	12.5	25.0
Doubtful	30.0	30.0	60.0
Loss	60.0	60.0	100.0

(1) If profits are above a maximum level, the variable rate is added to the fixed rate.
Source: SBS.

The following tables set forth information regarding loans of the financial system by risk category and type of institution, and loans issued by commercial banks by risk category and type of loan.

Risk Classification of Aggregate Assets of the Financial System
by Type of Institution
(as a percentage of total loans, as of March 31, 2002)

			Savings and loans associations				
Risk category	Commercial banks	Financial institutions	Municipal	Rural	Small-business development banks	Financial leasing companies	Total
Normal	69.0%	80.8%	82.7%	59.4%	76.9%	57.9%	68.9%
Potential problems	11.7	7.9	6.6	6.5	11.1	24.0	12.1
Deficient	8.0	4.0	4.3	17.6	3.6	8.3	7.9
Doubtful	5.9	1.4	1.8	5.3	2.7	8.4	5.8
Loss	5.4	5.9	4.6	11.2	5.8	1.5	5.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SBS.

Risk Classification of Aggregate Assets of Commercial Banks
by Type of Loan
(as a percentage of total loans, as of March 31, 2002)

Risk category	Commercial loans	Consumer loans	Mortgage loans	Small-business loans
Normal	66.4%	82.2%	82.9%	76.9%
Potential problems	12.9	5.4	6.0	5.4
Deficient	8.9	3.7	2.3	5.3
Doubtful	6.5	2.3	2.9	3.7
Loss	5.3	6.3	5.9	8.8
Total	100.0%	100.0%	100.0%	100.0%

Source: SBS.

The following table sets forth the status of loans in the financial system.

Status of Loans in the Financial System
(as a percentage of total loans, as of March 31, 2002)

Type of institution	Current loans: Short-term	Current loans: Long-term	Refinanced and restructured loans	Loans 1 – 4 months past due	Loans > 4 months past due	Loans subject to judicial process
Commercial banks	52.7%	30.4%	7.8%	1.6%	2.0%	5.4%
Financial institutions	44.8	38.0	10.9	1.7	1.8	2.8
Savings and loans associations:						
Municipal	57.3	34.6	2.0	2.0	0.6	3.4
Rural	48.7	20.8	17.1	4.7	2.0	6.6
Small-business development banks	51.5	36.9	2.3	3.8	3.1	2.4
Financial leasing companies	1.5	80.2	9.4	2.3	3.3	3.4
Total	49.1%	34.1%	7.9%	1.7%	2.1%	5.1%

Source: SBS.

The SBS performs its supervisory role in the following two principal manners:

- Direct supervision of regulated entities through on-site and off-site inspections. The SBS systematically reviews and analyzes the information that financial companies are required to disseminate through the media and CONASEV. Based on these inspections, the SBS conducts on-site inspections that focus on areas that merit further scrutiny.

- Assessments made by third parties. The SBS regularly reviews the analyses of regulated entities conducted by auditors, foreign and domestic credit-rating agencies, and other supervisory agencies, both foreign and domestic. These reviews allow the SBS to gain a broader perspective of the activities and performance of the Peruvian financial sector and to identify areas of concern.

In 1991, the Republic introduced the *Fondo de Seguros de Depósitos*, which we refer to in this prospectus as the "Deposit Insurance Fund," which insures deposits in the banking system up to S/. 66,572, or US$18,000, per person per bank. The introduction of the Deposit Insurance Fund ameliorated some of the burdens created by the several closures of deficient banks that resulted from the banking reforms undertaken by the Republic in the early 1990s. There have been no significant bank failures or bailouts since December 2000.

Financial Sector

Prior to 1990, the Republic's regulation of the financial system was characterized by interventionist measures that limited and directed the activities of banks, restricted foreign competition and prevented profit remittances and credit payments abroad. This regulatory environment undermined competition in the financial industry and limited the supply of medium- and long-term credit.

As part of its economic program, the Fujimori administration undertook an overhaul of the Republic's financial system. Its first measures included the liberalization of interest rates and the elimination of exchange rate controls. In 1996, Congress passed the *Ley de Bancos*, which we refer to in this prospectus as the "1996 Banking Law," which introduced the Deposit Insurance Fund, adopted a policy of nondiscrimination among foreign and national banks, and state and private banks, and opened the financial market to foreign banks and insurance companies. The 1996 Banking Law also liberalized market-entry barriers for domestic banks and tightened prudential standards and disclosure requirements.

These and other reforms adopted by the Fujimori administration fueled significant growth of the financial sector. In 1990, there were 38 financial institutions operating in Peru, with only one foreign bank. As of March 31, 2002, the Peruvian financial system was composed of 68 financial institutions, including:

- 15 commercial banks;
- 14 municipal and 12 rural savings and loan associations;
- 13 small-business development banks;
- 5 consumer credit organizations;
- 7 leasing companies; and
- 2 state-owned banks (not counting the Central Bank), *Banco de la Nación* and the *Corporación Financiera de Desarrollo*, which we refer to in this prospectus as "COFIDE."

Of the 15 commercial banks in operation, 13 were partly foreign-owned and in 10 of these, foreigners had a majority equity stake. Other participants in the financial sector included, as of March 31, 2002, 16 insurance companies and 4 private pension funds.

Established in 1966, *Banco de la Nación* is a state-owned bank that offers a variety of services to the public sector, including regional and local governments. These services include:

- collecting taxes on behalf of various government agencies;
- making payments and transfers on behalf of the Government;
- serving as paying and centralized collection agent for the Republic's internal indebtedness and its medium- and long-term external indebtedness; and
- providing banking and foreign exchange services in connection with the Government's foreign trade transactions.

Established in 1971, COFIDE is a state-owned development bank that since 1991 has specialized in providing credit to the financial sector. Through such credits, COFIDE is expected to promote private sector credit for the various sectors of the economy. Additionally, COFIDE administers various special development funds created by the Government, such as the mortgage fund *Mivivienda*.

The following table identifies the number of financial institutions and percentage of loans and deposits corresponding to each category as of the dates indicated.

Number of Financial Institutions and Percentage of Loans and Deposits

Type of institution	As of December 31, 1997	1998	1999	2000	2001	As of March 31, 2002 Loans S/.	Loans US$	Deposits S/.	Deposits US$
Rural savings and loans	16	15	13	12	12	0.9%	0.4%	0.5%	0.3%
Municipal savings and loans	13	13	13	13	14	6.0	0.6	2.4	1.5
Leasing companies	9	9	9	7	7	1.2	7.1	0.0	0.0
Consumer credit organizations	7	7	5	5	5	6.5	0.5	4.5	0.0
Commercial banks	25	26	20	18	15	69.5	76.7	80.5	94.6
Small business development banks	1	7	7	10	13	1.0	0.2	0.0	0.0
State-owned banks	3	3	3	3	2	15.0	14.4	12.1	3.6
Total	74	80	70	68	68	100.0%	100.0%	100.0%	100.0%

Source: SBS.

The following table shows the percentage interest in total assets of the financial system held by various categories of financial institutions as of the dates indicated.

Number of Financial Institutions in Operation and Share of Total Assets of the Financial System

Type of institution	Number of Institutions As of December 31, 2001	Number of Institutions As of March 31, 2002	Share of Total Assets As of March 31, 2002
Rural savings and loans	12	12	0.5%
Municipal savings and loans	14	14	1.7
Leasing companies	7	7	3.2
Consumer credit organizations	5	5	1.4
Commercial banks	15	15	79.4
Small business development banks	13	13	0.3
State-owned banks	2	2	13.6
Total	68	68	100.0%

Source: SBS.

The Peruvian financial system grew only 0.8%, measured in current U.S. dollars, between 1997 and 1998, and contracted 13.4%, measured in current U.S. dollars, between 1998 and 2000, as reflected by the total level of assets. Contraction continued in 2001, with a 7.7% decrease, measured in current U.S. dollars, recorded compared to 2000. The growth experienced between 1997 and 1998 was possible because of the growth of the economy as a whole and the liberalization of the financial system. The contraction since 1998 was caused primarily by external financial shocks, such as the Asian and Russian financial crises, and the resulting economic crisis that led to a reduction in the extension of credit. The contraction in 2001 was caused primarily by the Argentina financial crisis and the events of September 11, 2002, which led to a reduction in the extension of credit. Overall, from 1997 to 2001, total assets of the financial system contracted 19.4%, measured in current U.S. dollars. For the first three months of 2002, total assets of the financial system have increased slightly by 1.9%, measured in current U.S. dollars, since the end of 2001.

The following table sets forth the total gross assets of the Peruvian financial system for the periods indicated:

Total Gross Assets of the Peruvian Financial System
(in millions of U.S. dollars and as a percentage change from previous year)

	Financial system		Commercial banks	
	US$	Growth rate (%)	US$	Growth rate (%)
As of December 31,				
1997	23,405	29.8	21,976	28.6
1998	23,582	0.8	21,761	(1.0)
1999	22,427	(4.9)	20,834	(4.3)
2000	20,424	(8.9)	19,110	(8.3)
2001	18,858	(7.7)	17,814	(6.8)
2002:				
January	18,934	2.0	17,866	2.1
February	19,080	2.5	18,028	2.7
March	19,214	0.1	18,166	0.2

* Excludes Cajas Rurales, Cajas Municipales and Edpymes.
Source: SBS.

Private commercial banks are the primary source of private sector financing and in 2001 accounted for 78.7% of all U.S. dollar-denominated loans and 19.2% of loans denominated in nuevos soles. In the period from 1997 to 2001, the private sector received on average 88.8% of the total credits issued by the financial system, while the public sector received only 11.2%. As of March 31, 2002, major private sector borrowers included companies engaged in manufacturing (24.3% of total loans) and wholesale and retail trade (17.0% of total loans).

The following tables set forth information regarding the allocation of loans to each sector of the economy.

Loans of the Financial System by Sector(1)
(in millions of U.S. dollars, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Private sector:						
Agriculture and livestock	US$ 450	US$ 457	US$ 392	US$ 392	US$ 381	US$ 389
Fishing	313	425	382	439	316	326
Mining	442	494	574	591	764	616
Manufacturing	3,287	3,888	3,404	3,251	2,682	2,854
Electricity, gas and water	113	313	356	402	370	407
Construction	486	682	611	560	339	340
Wholesale and retail trade	2,481	2,207	2,088	1,593	1,988	1,997
Hotels and restaurants	209	331	232	205	192	188
Transportation, warehousing and telecommunications	848	818	589	613	583	619
Financial intermediation	574	828	430	380	379	391
Real estate	809	1,046	742	861	773	766
Public administration and defense	91	111	80	93	94	95
Education	65	84	63	57	49	59
Health and social services	527	735	587	753	54	54
Other	3,758	3,069	2,536	2,569	2,617	2,638
Total loans	US$ 14,453	US$ 15,488	US$ 13,066	US$ 12,759	US$ 11,582	US$ 11,736

(1) Excludes rural savings and loans, municipal savings and loans and small business loans institutions.
Source: SBS.

Loans of the Financial System by Sector[1]
(as a percentage of total loans)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Private sector:						
Agriculture and livestock	3.1%	3.0%	3.0%	3.1%	3.3%	3.3%
Fishing	2.2	2.7	2.9	3.4	2.7	2.8
Mining	3.1	3.2	4.4	4.6	6.6	5.3
Manufacturing	22.7	25.1	26.1	25.5	23.2	24.3
Electricity, gas and water	0.8	2.0	2.7	3.2	3.2	3.5
Construction	3.4	4.4	4.7	4.4	2.9	2.9
Wholesale and retail trade	17.2	14.2	16.0	12.5	17.2	17.0
Hotels and restaurants	1.4	2.1	1.8	1.6	1.7	1.6
Transportation, warehousing and telecommunications	5.9	5.3	4.5	4.8	5.0	5.3
Financial intermediation	4.0	5.3	3.3	3.0	3.3	3.3
Real estate	5.6	6.8	5.7	6.7	6.7	6.5
Public administration and defense	0.6	0.7	0.6	0.7	0.8	0.8
Education	0.4	0.5	0.5	0.4	0.4	0.5
Health and social services	3.6	4.7	4.5	5.9	0.5	0.4
Other	26.0	19.8	19.4	20.1	22.6	22.5
Total loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Excludes rural savings and loans, municipal savings and loans and small business loans institutions.
Source: SBS.

The following table sets forth the bank credit to the private sector for the years shown.

Bank Credit to the Private Sector
(as a percentage of total credit)

	Private Commercial Banks		Public Sector Banks	
	S/.	Foreign Currency	S/.	Foreign Currency
1997	21.9	75.6	0.8	1.7
1998	19.3	78.4	0.7	1.6
1999	17.4	80.6	0.3	1.7
2000	18.2	79.9	0.3	1.6
2001	19.2	78.7	0.7	1.4
2002[1]	19.5	78.1	0.9	1.5

(1) As of March 31.
Source: Central Bank.

Pursuant to the Central Bank Charter, interest rates float freely in the Peruvian economy and are determined by market conditions. Only in exceptional circumstances is the Central Bank allowed to establish minimum and maximum interest rates. The Central Bank does not engage in open market operations in order to affect interest rates but rather to control the growth rate of the monetary base.

The *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*, or Financial and Insurance System Law, the 1996 Banking Law and the SBS Charter establish that financial companies may freely establish interest rates and the commissions they charge on loans, deposits and other services they provide.

The following table sets forth information regarding interest rates for the years shown.

Interest Rates on Commercial Bank Loans
(in annual percentages)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Domestic currency:						
Interbank	12.8%	12.9%	16.9%	11.4%	3.1%	2.5%
Prime [(1)]	18.5	21.5	22.5	15.4	5.0	3.9
Average loan rate	30.4	37.1	32.0	26.5	23.0	20.7
Foreign currency:						
Interbank	7.6	11.2	6.6	8.4	2.1	2.1
Prime [(1)]	12.8	12.5	12.9	8.2	3.1	2.9
Average loan rate	15.6	16.8	14.8	12.6	10.2	10.1

(1) Since year 2000 it considers only loans to corporate sector.
Source: SBS.

The decrease in interest rates on domestic currency loans during 2001 and the first three months of 2002 is due to greater liquidity in the financial system, lower international interest rates and reduced lending risk since the second half of 2001.

The following table sets forth information on interest rates applicable to deposits for the years indicated.

Interest Rates on Deposits Paid by Commercial Banks
(in annual percentages)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Domestic currency:						
Savings deposits	10.7%	10.1%	9.5%	7.7%	5.9%	1.8%
Time deposits	15.0	15.1	16.2	13.3	9.9	3.9
Average deposit rate	10.3	10.9	11.8	9.8	7.5	3.7
Foreign currency:						
Savings deposits	4.6	4.4	4.1	3.5	2.5	0.8
Time deposits	7.2	6.6	6.4	5.7	4.0	2.1
Average deposit rate	5.5	5.1	5.1	4.7	3.5	1.7

Source: SBS.

Liquidity and Credit Aggregates

The most significant money supply measures in Peru are M1, M2, M3 and M4, which are generally composed as follows:

- M1 consists of currency in circulation plus demand deposits in domestic currency held in private sector banks;
- M2 consists of M1 plus savings deposits in domestic currency held in private banks;
- M3 consists of M2 plus time deposits in domestic currency held in private banks and mortgage certificates and other certificates, in domestic currency, issued by private banks; and
- M4 or "broad money" consists of M3 plus foreign currency in circulation.

In the period from 1997 to 2001, the Republic's monetary base grew only 1.1%, from US$1.8 billion in 1997 to US$1.8 billion in 2001. This slight increase was primarily driven by foreign exchange operations. **[Confirm whether this explanation is accurate]** M1 grew during this period at an average annual rate of 8.6%, M2 at an average annual rate of 9.8% and M3 at an average annual rate of 12.5%. The following table sets forth the composition of the monetary base and international reserves as of the dates indicated.

Monetary Base and Central Bank's International Reserves
(in millions of U.S. dollars, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Currency in circulation and cash in vaults at banks	US$ 1,711	US$1,561	US$ 1,659	US$1,583	US$1,748	US$ 1,654
Commercial bank deposits at the Central Bank	39	34	15	15	22	16
Monetary base	US$ 1,750	US$1,595	US$ 1,674	US$1,598	US$1,770	US$ 1,670
Gross international reserves	US$11,119	US$9,982	US$ 9,003	US$8,563	US$8,838	US$ 8,940
Net international reserves	10,169	9,183	8,404	8,180	8,613	8,786

Source: Central Bank.

As of December 31, 2001, the ratio of gross international reserves at the Central Bank to the monetary base was approximately 5 to 1.

Between 1997 and 2001, the average amount held by financial institutions in current accounts at the Central Bank was US$42.8 million. During this period, the Central Bank successfully employed its monetary tools to ensure that current account deposits remained within the targets it prescribed on a monthly basis. The Central Bank was thus able to regulate the liquidity of the banking system in order to ensure a growth of the monetary base commensurate with the Republic's inflation and GDP growth targets.

As of December 31, 2001, outstanding credits of the financial system totaled US$15.6 billion and deposits in the financial system totaled US$11.9 billion. The private sector is the principal recipient of commercial loans. Private-sector credits from commercial banks showed only a moderate increase between 1997 and 1998, as a result of a worldwide economic slowdown. After reaching a peak of US$14.8 billion in 1998, private-sector credits declined at an average annual rate of 3.3% to US$13.4 billion in 2001. Aggregate deposits in commercial banks grew at an average annual rate of 3.2%, from US$12.0 billion in 1997 to US$12.4 billion in 2001. Foreign-currency denominated deposits in the banking system grew at an average annual rate of 1.6% between 1997 and 2001, reaching US$9.5 billion in 2001.

The following table sets forth liquidity and credit aggregates as of the dates indicated.

Liquidity and Credit
(in millions of U.S. dollars, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Monetary aggregates						
Currency in circulation	US$ 1,407	US$ 1,254	US$ 1,319	US$ 1,285	US$ 1,438	US$ 1,368
M1	2,423	2,103	2,128	2,080	2,275	2,193
M2	4,763	4,014	4,020	4,096	4,769	4,792
M3	13,630	12,999	13,225	13,438	14,220	14,003
Credit by sector(1)						
Public sector	US$ 1,384	US$ 1,727	US$ 1,787	US$ 1,728	US$ 2,226	US$ 2,099
Private sector	14,206	14,840	14,207	13,691	13,403	13,377
Total credit aggregates	US$15,589	US$16,567	US$15,994	US$15,419	US$15,630	US$ 15,476
Deposits						
Local currency(2)	US$ 2,340	US$ 1,911	US$ 1,892	US$ 2,016	US$ 2,494	US$ 2,599
Foreign currency(3)	8,867	8,985	9,205	9,342	9,451	9,211
Total deposits	US$11,207	US$10,897	US$11,097	US$11,358	US$11,945	US$ 11,810

(1) Includes securities offerings and cash advances from checking accounts.
(2) Includes savings deposits, time deposits and other certificates in domestic currency.
(3) Includes demand deposits, savings deposits, time deposits and other certificates in foreign currency.
Source: Central Bank.

The following table sets forth growth in selected monetary indicators as of the dates indicated.

Selected Monetary Indicators
(percentage change from previous year)(1)16

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002(2)
M1	19.8%	13.3%	2.6%	5.6%	1.5%	9.8%
M2	19.1	15.3	1.7	5.9	6.8	17.2
M3	25.2	14.7	14.0	5.3	3.2	4.1

(1) Average indicators of the period.
(2) As compared to March 31, 2001.
Source: Central Bank.

Inflation

The economic and monetary program that the Government implemented during the early 1990s achieved a drastic reduction in inflation. The Republic experienced hyperinflation levels during the late eighties and in 1990. By 1997, inflation, as measured by the CPI, had declined to an average rate of 8.5%, and continued to decrease to single digit levels between 1997 and 2001. Prices during 2002 have shown significant stability, with an average

16 Please explain why these numbers reflecting percent change are different from figures calculated using the M1, M2 and M3 data from the Liquidity and Credit table above.

inflation rate of –0.7% for the three months ending March 31, 2002, as compared to 0.3% for the three months ending March 31, 2001.

During 1999 and 2000, fuel prices were by far the main contributors to the overall increase in prices, rising 25.9% in 1999 and 30.3% in 2000. In 1999, other significant contributors to inflation included transport services, rising 13.4%, and public services, rising 12.7%. In 2000, significant contributors to inflation included education services, rising 5.6%, and transport services, rising 5.2%.

In 2001, fuel prices showed a sharp reversal, falling 13.1%. The main reasons for inflation during this period included education services, rising 4.0%, health services, rising 3.0%, public services increasing 2.7% and food prices 1.2%.

The following table sets forth changes in the CPI for the periods indicated.

	Consumer Price Index(1) (% change)	
	End of period	Average
1997	6.5	8.5
1998	6.0	7.3
1999	3.7	3.5
2000	3.7	3.8
2001	–0.13	2.0
2002:		
January	–0.52	1.6
February	–0.56	1.2
March	–0.02	0.8

(1) For a description of how the CPI and its rates of change are calculated, see "Certain Defined Terms and Conventions—Certain Defined Terms."

Source: Central Bank.

Foreign Exchange and International Reserves

Foreign Exchange

Prior to 1991, the Republic exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restriction on the holding and use of foreign currencies. In 1991, the Fujimori administration eliminated all foreign exchange controls and the exchange rates were unified. Currently, foreign exchange rates are determined by market conditions, with occasional intervention by the Central Bank to prevent drastic fluctuations.

The following table sets forth the nuevo sol/U.S. dollar exchange rates for the dates and periods indicated.

	Exchange Rates(1)[17] (S/. per US$)	
	End of period	Average
1997	2.725	2.660
1998	3.150	2.925
1999	3.510	3.380
2000	3.525	3.490
2001	3.444	3.507
2002	3.446(2)	3.456(3)

(1) Formal rates offered by banks.
(2) As of March 31.
(3) Average from January 1 to March 31, 2002.
Source: Central Bank.

International Reserves

Pursuant to Article 72 of the Central Bank's Charter, the international reserves administered by the Central Bank consist primarily of:

- holdings of gold and silver;
- foreign currencies generally accepted as a means of payment in the international markets; and
- in the Central Bank's Board discretion:
  - foreign currency deposits of less than 90 days;
  - certificates of deposits of less than 90 days issued by banks; and
  - investment-grade securities having a high level of liquidity issued by international organizations or public foreign entities.

The Central Bank maintained a policy during the 1990s of accumulating international reserves. International reserves help the Republic to maintain economic and financial stability by ensuring the availability of foreign currency in extraordinary situations. These situations can include sudden, significant withdrawals of foreign currency deposits from the banking system, or sharp downturns in exports and economic activity.

In order to determine and guide the optimal investment distribution of its reserves, the Central Bank prepares a model benchmark portfolio that takes into consideration variables such as return, risk, liquidity, maturity and diversification. This model portfolio is designed in light of actual market conditions to ensure that it sets forth feasible goals and eschews speculative assumptions. The Central Bank adjusts the value of its investment portfolio daily on the basis of market prices, although the Central Bank generally maintains its investment assets until their maturity.

17 Please provide an update of this table to reflect data up through the first three months of 2002.

The Central Bank considers and actively manages the following four types of risks in investing its international reserves:

- *Liquidity risk.* The Central Bank manages liquidity risk by distributing its investments along three types of assets, following the guidelines of its benchmark portfolio:
  - highly liquid, short-term assets to cover unexpected contingencies;
  - liquid assets not exceeding one year in maturity; this category includes bank time-deposits not exceeding three months and having staggered maturity dates, and fixed income-securities that are highly liquid in the international markets; and
  - assets with maturity exceeding one year, generally consisting of bonds that offer a relatively higher return because of the longer term. To ensure an adequate level of liquidity, these bonds must have been issued in certain minimum quantities as prescribed by the Central Bank.
- *Credit risk.* To minimize risks that may arise due to insolvency on the part of the creditor, the Central Bank diversifies its investments along the following lines:
  - deposits in foreign banks that are rated investment grade by Standard & Poor's, a division of the McGraw-Hill Companies, Moody's Investor Service, Fitch IBCA, Duff & Phelps or similar credit-rating agencies;
  - investment-grade fixed-income securities or securities guaranteed by international organizations, foreign governments or their agencies; and
  - investments in debt or equity issued by private entities are prohibited.
- *Foreign exchange risk.* Fluctuations in the foreign exchange markets can pose a significant risk to the level of reserves at the Central Bank, due to the significant U.S. dollar-denominated liabilities of the Peruvian banking system. Moreover, the great majority of the Republic's foreign trade and capital flows are also denominated in U.S. dollars, which can also exert significant pressure on the Central Bank's international reserves. To safeguard its international reserves from fluctuations in the foreign exchange markets, the Central Bank invests primarily in U.S. dollar-denominated assets. Some investments are also made in German deutsche marks that match amounts owed in such currency to the IMF.
- *Market risk.* To mitigate market risk, the Central Bank tries to match the average maturity of its assets to that of its liabilities. The average maturity of the Central Bank's portfolio does not exceed one year, which significantly protects it from market fluctuations. Additionally, the Central Bank imposes limits on the maximum term of its portfolio securities.

Between 1997 and 2000, the Central Bank's net international reserves decreased at an average annual rate of 7.0%, with the most significant declines occurring during 1998 and 1999. This decline was the result of reductions in public sector deposits and deposits of financial institutions in the Central Bank, and a decrease in foreign exchange reserves at the Central Bank, as a result of repurchases of treasury bonds. In 2001, however, net international reserves increased 5.3% from 2000. **[Provide explanation]** As of March 31, 2002, the ratio of the Central Bank's gross international reserves to total projected short-term debt service plus 12-months amortizations (*i.e.*, the ratio of the Central Bank's gross reserves to short-term debt payments) was [457.7]%. **[Update bracketed figure]**

As of March 31, 2002, the Central Bank's cash reserves totaled US$[5.3] billion, representing a [4.6]% increase over the level as of December 31, 2000 and a [0.7]% increase over the level as of December 31, 1999. As of March 31, 2002, the Central Bank's gold reserves totaled US$[278] million, representing a [7.8]% increase over the level as of December 31, 2000 and a [1.1]% increase over the level as of December 31, 1999. **[Update bracketed figures in this paragraph]**

Between 1997 and 1998, the net international reserves of the Peruvian banking system as a whole decreased by 10.6%, but increased by 7.6% in 1999, showed only a moderate decrease of 1.8% in 2000, and increased again by 9.5% in 2001. In the period from 1997 to 2001, the ratio of total gross reserves of the Peruvian banking system to total monthly imports fluctuated between 15.4% and 18.0%.

The following table shows the composition of the international reserves of the Republic's banking system as of the dates indicated.

Net International Reserves of the Banking System
(in millions of U.S. dollars at period end, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Central Bank						
Assets	US$11,119	US$ 9,982	US$ 9,003	US$ 8,563	US$ 8,838	US$ 8,940
Liabilities	950	799	599	383	225	154
Total (assets less liabilities)	10,169	9,183	8,404	8,180	8,613	8,786
Banco de la Nación and Banca de Fomento						
Assets	287	246	152	77	103	33
Liabilities	68	29	28	28	27	27
Total (assets less liabilities)	219	217	124	49	76	6
Private banks						
Assets	578	613	981	824	750	763
Liabilities	2,984	2,879	1,835	1,519	1,188	1,154
Total (assets less liabilities)	(2,406)	(2,266)	(854)	(695)	(437)	(392)
Net international reserves	US$ 7,982	US$ 7,134	US$ 7,674	US$ 7,534	US$ 8,252	US$ 8,400
Memorandum items:						
Gross reserves of the Central Bank	US$11,119	US$ 9,982	US$ 9,003	US$ 8,563	US$ 8,838	US$ 8,940
Gross reserves of the banking system	US$11,984	US$10,841	US$10,136	US$ 9,464	US$ 9,691	US$ 9,735
Gross reserves of the Central Bank (in months of total imports)	15.6	14.6	16.0	14.0	14.7	16.6
Gross reserves of the banking system (in months of total imports)	16.8	15.9	18.0	15.4	16.2	18.1

Source: Central Bank.

Securities Markets

The securities markets in Peru are regulated by CONASEV. CONASEV's purpose is to protect investors and promote the efficient operations of the market. In particular, CONASEV functions include:

- supervision of the activities and management of the various market participants, including the Lima Stock Exchange, brokerage firms, issuing companies, mutual funds and other investment funds, and credit-rating agencies; and

- promotion of market transparency, through disclosure and dissemination requirements.

Peru's capital markets underwent significant changes during the 1990s as a result of various reform initiatives undertaken by the Government. These reforms began in 1991 with passage of the *Ley de Mercado de Valores*, which we refer to in this prospectus as the "Securities Market Law of 1991." This law implemented a comprehensive set of measures that liberalized and modernized the operations of Peru's capital markets. These measures included:

- requirements for securities exchanges and broker dealers, such as the introduction of special funds that these entities must provide in order to guarantee the proper execution of trades;

- market transparency and disclosure requirements, particularly through the creation of the *Registro Público de Valores e Intermediarios*, or Public Registry of Securities and Broker Dealers, a public record of all the participants in the Peruvian capital markets, including issuers, broker-dealers and credit-rating agencies;

- the establishment of a regulatory framework for new institutions that were authorized to operate in the Peruvian capital markets and which would play an increasingly important role; these new institutions included mutual funds and credit-rating agencies; and

- requirements for the operation of primary and secondary markets, including guidelines for the settlement of securities transaction, dealer commissions, dispute resolution and asset securitization.

In 1996, a new *Ley de Mercado de Valores*, or Securities Market Law of 1996, was introduced. This law preserved the basic market structure adopted under the Securities Market Law of 1991, but introduced certain changes in order to further streamline the operations of the Peruvian capital markets, making them more compatible with international standards. These changes included:

- vesting the Lima Stock Exchange with self-regulatory authority;

- the creation of CAVALI ICLV S.A., a private securities clearing and depository agency independent of the Lima Stock Exchange;

- liberalization of the brokerage business, through the introduction of less stringent minimum capital requirements, and the broadening of the range of transactions in which brokerage firms may participate; and

- insider trading restrictions.

In order to stimulate the growth of Peru's capital markets, the Government also encouraged greater participation in the markets through economic incentives. In 1993, the Republic adopted tax exemptions for both capital earnings generated through stock exchange trading and interest income obtained from any kind of bond. These tax exemptions, which are scheduled to expire in December 2002, have played a pivotal role in funneling funds towards the capital markets.

Another significant factor in the development of Peru's capital markets was the introduction in 1993 of private pension funds and of mutual funds, both of which have become important institutional investors. *Administradoras Privadas de Fondos de Pensiones*, or Private Pension Fund Agencies, which we refer to in this prospectus as "AFPs," were created pursuant to Decree Law No. 25897, or Private Pension System Law of 1992. These private pension funds were introduced not only to improve Peru's social security system, but also to channel funds towards the capital markets. For a description of the Republic's private pension system see "Public Sector Accounts—Social Security." In the period from 1997 to 2001, membership in these funds increased at an average annual rate of [12.4]%. **[Confirm]** Currently there are four funds in operation with approximately 2.7 million members, and approximately US$3.6 billion in assets under management. These funds invest in fixed-income securities, representing approximately % of their portfolios, floating-rate securities, representing approximately 25% of their portfolios, and bank time deposits, representing approximately 22.2% of their portfolios.

Mutual funds entered the market as a result of the Securities Market Law of 1991, which established a regulatory framework for their operations. Currently there are eight mutual fund companies in operation that administer 25 mutual funds. As of December 31, 2001, these mutual fund companies managed approximately US$[1.2] billion in assets for approximately 41 thousand investors. These mutual funds invest primarily in fixed-income securities, representing approximately 49.1% of their portfolios, and bank time deposits, representing approximately [3.8]% of their portfolios.

Peru's capital markets experienced significant growth during the 1990s as a result of the reforms implemented by the Government during this period. Despite this growth, the Peruvian capital markets remain relatively small and illiquid. Accordingly, most businesses, particularly small and medium-size businesses, raise capital through the local banking system; large businesses also benefit from limited access to foreign credit.

Founded in 1971, the Lima Stock Exchange is the only securities exchange operating in Peru. The Lima Stock Exchange was privatized as part of the capital-market reforms implemented by the Government in 1991, and currently operates as a self-regulatory entity under the supervision of CONASEV. The public trading of company shares (cash operations) accounted for approximately 31% of the total volume transacted on the exchange in 2001, while cash transactions with debt instruments accounted for 58%. As of March 30, 2002, there were 230 companies listed on the Lima Stock Exchange, four of which were foreign companies (not including companies listing only bonds or trading securities under the modality of market maker). Between 1997 and 2001, market capitalization of domestic companies decreased at an average annual rate of 1.54% to US$10.9 billion as of December 31, 2001. During the same period, annual trading volume decreased at an average annual rate of 14.5% to US$3.0 billion in 2001. Daily trading volume in 2001 averaged US$12.0 million.

Peru's Capital Markets
Transaction Volume and Market Capitalization[1]
(in millions of U.S. dollars, at current prices)

	1997	1998	1999	2000	2001	For the first 3 months of: 2001	For the first 3 months of: 2002
Equities:							
Stocks	US$ 4,289.3	US$ 3,077.2	US$ 2,742.5	US$ 2,436.6	US$ 848.6	US$ 247.6	US$ 226.9
Others	8.9	13.7	5.2	83.7	87.7	38.3	15.5
Total	4,298,2	3,090.9	2,747.7	2,520.3	936.3	285.9	242.4
Fixed Income Securities:							
Auctions	0.0	0.0	141.6	144.1	0.2	0.0	0.0
Continued Trading	0.0	0.0	0.0	339.3	1,282.8	159.7	437.0
Bonds-money market	2,634.9	2,089.9	853.8	247.8	450.4	51.0	253.0
Mortgage bills	124.1	90.1	43.2	0.0	0.0	0.0	0.0
Certificates of deposit	2,162.8	885.2	330.7	0.0	0.2	0.0	0.7
Others	948.9	491.8	26.5	0.9	0.9	0.0	1.5
Total	5,870.7	3,557.0	1,395.7	732.1	1,734.5	210.7	692.2
Report Transactions:							
Equities	1,770.8	981.4	430.7	271.0	219.9	56.4	54.7
Debt instruments	191.6	104.6	124.3	70.3	108.8	13.0	2.0
Total	1,962.4	1,086.0	555.0	341.3	328.7	69.4	56.7
Non-massive issued instruments	0.0	0.0	0.0	0.0	11.3	0.0	0.7
Total Transaction Volume	US$ 12,131.3	US$ 7,734.0	US$ 4,698.4	US$ 3,593.7	US$ 3,010.8	US$ 566.0	US$ 992.0
Market capitalization	US$ 17,383.0	US$ 11,035.3	US$ 13,407.4	US$ 10,511.1	US$ 10,861.0	US$ 10,687.8	US$ 11,909.7

(1) Lima Stock Exchange
Source: CONASEV, Lima Stock Exchange

PUBLIC SECTOR FINANCES

Consolidated Public Sector

The consolidated Peruvian public sector is divided into the financial public sector and the non-financial public sector. The non-financial public sector consists of the central government, its various decentralized administrative and regulatory agencies, such as the SBS and the *Superintendencia Nacional de Administración Tributaria*, or National Superintendency for Tax Administration, which we refer to in this prospectus as "SUNAT," the local municipal and district governments and non-financial state-owned enterprises such as *Petroleos del Perú S.A.*, which we refer to in this prospectus as "Petroperu," and *Empresa de Electricidad del Perú S.A.*, which we refer to in this prospectus as "Electroperu." The financial public sector consists of the Central Bank, *Banco de la Nación* and COFIDE.

The non-financial public sector registered a surplus of US$93 million, or 0.2% of GDP, in 1997 and an overall deficit every year from 1998 and 2001, ranging from a low of US$475 million, or 0.9% of GDP, in 1998 to a high of US$1.7 billion or 3.2% of GDP, in 2000. The overall surplus achieved in 1997 by the non-financial public sector resulted primarily from a US$259 million rise in the consolidated surplus of state-owned enterprises as a result of an increase in the net profits of Petroperu, *Empresa Minera del Centro* and Electroperu, which was caused by diverse factors, including an 18% increase in the price of fuel and a 28% rise in the price of zinc. In 1999, the consolidated deficit for the non-financial public sector increased 243%, primarily as a result of a shift in the central government's fiscal accounts, from a US$422 million surplus in 1998 to a US$552 million deficit in 1999. This drastic shift was caused by a decline in tax revenues that was not accompanied by a proportionate reduction in Government expenditures. For a description of the central government fiscal accounts see "—Central Government."

The 2000 deficit for the non-financial public sector exceeded the 2.0% target established in the *Ley de Prudencia* y *Transparencia Fiscal*, which we refer to in this prospectus as the "Fiscal Prudence Act." This law was approved in December 1999 and seeks to foster fiscal stability by establishing specific guidelines on public sector deficits, growth in government spending and growth in public sector debt. The law targets a 1.5% of GDP deficit for 2001 and a 1.0% of GDP deficit for 2002. It also limits the increase of non-financial expenses of the central government for 2002 to 2.0% in real terms. The Government is currently preparing a proposal to amend the Fiscal Prudence Act to provide for automatic adjustments to public spending based on fiscal revenue streams in order to achieve a prescribed fiscal balance. This proposed amendment is pending review and approval by Congress.

In 2001, the deficit in the non-financial public sector fell from the 3.2% of GDP registered during the previous year to 2.5% of GDP, due to a reduction in the central government's fiscal accounts, as well as a reduction in the non-financial expenses of the central government resulting from the improved performance of state-owned enterprises and **[please clarify what entity was supposed to go here]**. On December 5, 2001, Congress temporarily suspended enforcement of the deficit limit targeted by the Fiscal Prudence Act.

For the first three months of 2002, the non-financial public sector registered a deficit of US$198 million, or 1.5% of GDP, a 318% decrease from the US$91 million surplus for the same period in 2001. This shift resulted primarily from a steep fall in central government income and, to a lesser extent, increases in non-financial spending. The Government's decision to abandon planned privatizations following protests in the cities of Arequipa and Tacna against the sale of generators *Egasa S.A.* and *Egesur, S.A.* is expected to negatively impact private investment, holding back the economic recovery that was expected and dry up financing of the fiscal deficit. The Government projects a consolidated public sector deficit of 2.2% of GDP in 2002.[18] Thus far, the Republic has not met the Fiscal Prudence Act's budget guidelines for 2002.

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18 Update and confirm this remains the Government's projection. A number of estimates are 2.5% or higher.

The following tables set forth the consolidated public sector accounts for the periods indicated.

Consolidated Accounts of the Non-Financial Public Sector
(in millions of U.S. dollars, at current prices)

	1997	1998	1999	2000[(1)]	2001[(1)]	For the first 3 months of: 2001[(1)]	2002[(1)]
Primary balance:							
Central government	US$ 545	US$ 422	US$ (552)	US$ (300)	US$ (365)	US$ 204	US$ 12
Decentralized agencies	255	225	69	31	41	81	27
Local governments	(1)	40	(40)	12	44	32	28
State-owned enterprises	401	(54)	15	(262)	107	69	0
Primary consolidated fiscal balance	1,200	633	(507)	(518)	(173)	387	67
Interest payments:							
External debt	1,010	1,005	1,023	1,026	1,046	257	230
Domestic debt	97	103	99	188	160	39	35
Total interest payments	1,108	1,108	1,122	1,214	1,207	296	265
Overall consolidated fiscal balance	US$ 93	US$ (475)	US$ (1,629)	US$ (1,732)	US$ (1,380)	US$ 91	US$ (198)
Financing:							
External	US$ (229)	US$ 224	US$ (20)	US$ 655	US$ 498	US$ 49	US$ 494
Domestic	(423)	(12)	1,261	668	554	(187)	(335)
Privatization	559	263	388	409	328	47	39
Total financing	US$ (93)	US$ 475	US$ 1,629	US$ 1,732	US$ 1,380	US$ (91)	US$ 198

(1) Preliminary data.
Source: Central Bank.

Consolidated Accounts of the Non-Financial Public Sector
(as a percentage of GDP, at current prices)

	1997	1998	1999	2000[(1)]	2001[(1)]	For the first 3 months of: 2001[(1)]	2002[(1)]
Primary balance:							
Central government	0.9%	0.7%	(1.1)%	(0.6)%	(0.7)%	1.6%	0.1%
Decentralized agencies	0.4	0.4	0.1	0.1	0.1	0.6	0.2
Local governments	0.0	0.1	(0.1)	0.0	0.1	0.2	0.2
State-owned enterprises	0.7	(0.1)	0.0	(0.5)	0.2	0.5	0.0
Primary consolidated fiscal balance	2.0	1.1	(1.1)	(1.0)	(0.3)	3.0	0.5
Interest payments:							
External debt	1.7	1.8	2.0	1.9	1.9	2.0	1.7
Domestic debt	0.2	0.2	0.2	0.4	0.3	0.3	0.3
Total interest payments	1.9	2.0	2.2	2.3	2.2	2.3	2.0
Overall consolidated fiscal balance	0.2%	(0.9)%	(3.0)%	(3.2)%	(2.5)%	0.7%	(1.5%)
Financing:							
External	(0.4)%	0.4%	(0.1)%	1.2%	0.9%	0.4%	3.7%
Domestic	(0.7)	0.0	2.5	1.2	1.0	(1.5)	(2.5)
Privatization	0.9	0.5	0.8	0.8	0.6	0.4	0.3
Total financing	(0.2)%	0.9%	3.2%	3.2%	2.5%	(0.7)%	1.5%

(1) Preliminary data.
Source: Central Bank.

The Toledo administration is currently considering a restructuring of the consolidated public sector to increase efficiency in the provision of public services. This restructuring could include a decentralization of the consolidated public sector through the creation of autonomous regional governments that will assume a number of central government functions. As part of this decentralization, the Toledo administration is considering conducting a review and restructuring of the consolidated public sector to avoid duplicative tasks and reduce administrative costs. These changes are pending developments within the newly staffed finance ministry.

Central Government

Peru's central government encompasses the Republic's executive branch, including various of its ministries and other centralized agencies such as the *Instituto Nacional de Bienestar Familia*, or National Institute of Family Welfare, and the *Instituto Nacional de Becas y Crédito Educativo*, or National Institute of Scholarships and Student Loans. The central government also includes regional governments, whose representatives are appointed by the President, and public universities.

The Government derives its revenues primarily from:

- tax collections;
- import tariffs;
- external loans; and
- dividends from state-owned companies.

Between 1997 and 2001, total Government revenues fluctuated between a low of US$7.6 billion, or 14.8% of GDP, in 1999 and a high of US$9.5 billion, or 16.0% of GDP, in 1997. During this same period, tax revenues ranged from a low of US$6.5 billion, or 12.5% of GDP, in 1999 to a high of US$8.3 billion, or 14.1% of GDP, in 1997. Total Government revenues in 2001 decreased 3.8% to US$7.7 billion, while tax revenues increased 3.0% to US$6.7 billion, in both cases as compared to the level registered in 2000. During the first three months of 2002, the Government registered total revenues of US$1.8 billion, a 6.3% decrease over the first three months of 2001, and tax revenues of US$1.5 billion, a 5.8% increase over the first three months of 2001.

In recent years, Government expenditures have consisted primarily of:

- wages of public sector employees;
- transfers to public sector entities;
- interest payments on debt;
- public investments in infrastructure; and
- pension expenditures.

In the period from 1997 to 2001, total Government expenditures, excluding interest payments on the Government's debt fluctuated between a low of US$8.1 billion, or 14.9% of GDP, in 2001 and a high of US$8.9 billion, or 15.1% of GDP, in 1997. Total Government expenditures, excluding interest payments on the Government's debt, in 2001 decreased 2.9% to US$8.1 billion, as compared to the level registered in 2000. During the first three months of 2002, the Government registered total Government expenditures, excluding interest payments on the Government's debt, of US$1.8 billion, a 4.2% increase over the first three months of 2001.

Between 1997 and 2001, the central government registered overall fiscal deficits that ranged from a low of US$456 million, or 0.9% of GDP, in 1997 to a high of US$1.6 billion, or 3.2% of GDP, in 1999. In 1997 and 1998, the central government registered primary surpluses of 0.9% to 0.7% of GDP, respectively. This trend changed drastically in 1999, when the central government registered a primary deficit of US$552 million, or 1.1% of GDP, primarily as a result of a 17.4% drop in tax revenues that was not accompanied by a proportionate reduction in government expenditures. In 2000, an increase in non-tax revenues due to an increase in current transfers from state-owned enterprises led to a reduction in the central government's primary deficit to US$300 million, or 0.6% of GDP. The stabilizing effect of this increase in non-tax revenues was undermined by Fujimori's expansionary fiscal policies leading to the June 2000 elections and by low tax collections. The Government financed its 2000 deficit through a combination of foreign credits, domestic credits and privatization proceeds. In 2001, the deficit was financed through amortizations, privatization proceeds and issuances of bonds in the national currency.

The following tables set forth information regarding government accounts for the periods indicated.

Central Government Accounts
(in millions of U.S. dollars, at current prices)

	1997	1998	1999	2000(1)	2001(1)	For the first 3 months of: 2001(1)	2002(1)
Fiscal revenue:							
Current revenue:							
Tax revenue:							
Income tax	US$ 2,143	US$ 2,000	US$ 1,499	US$ 1,471	US$ 1,604	US$ 390	US$ 380
Capital gains tax	0	0	0	0	0	0	0
Taxes on goods and services:							
General Sales Tax	3,883	3,768	3,260	3,439	3,364	837	824
Selective consumption tax	1,263	1,170	1,019	981	1,007	242	266
Import tariffs	927	987	842	835	780	202	168
Other taxes	82	(108)	(166)	(257)	(93)	(34)	(96)
Total tax revenue	8,299	7,817	6,453	6,468	6,662	1,637	1,542
Non-tax revenue(2)	1,081	1,085	1,023	1,391	958	256	233
Total current revenue	9,380	8,902	7,476	7,859	7,620	1,892	1,774
Capital revenue	72	182	159	152	83	15	13
Total fiscal revenue	US$ 9,452	US$ 9,083	US$ 7,635	US$ 8,011	US$ 7,703	US$ 1,907	US$ 1,787
Expenditures:							
Current expenditures:							
Wages and salaries	US$ 2,401	US$ 2,382	US$ 2,298	US$ 2,345	US$ 2,389	US$ 525	US$ 577
Goods and services	1,997	2,055	1,836	2,026	2,013	443	409
Current transfers	2,334	2,306	2,309	2,439	2,393	525	596
Total current expenditures	6,731	6,743	6,443	6,811	6,796	1,492	1,582
Capital expenditures:							
Fixed investment	1,669	1,694	1,671	1,361	1,110	167	182
Other	506	225	73	139	162	43	11
Of which:							
Capital transfers	0	0	0	73	81	42	4
Total capital expenditures	2,175	1,919	1,744	1,500	1,273	211	193
Total expenditures	US$ 8,907	US$ 8,662	US$ 8,186	US$ 8,311	US$ 8,068	US$ 1,703	US$ 1,775
Fiscal balance:							
Primary fiscal balance	US$ 545	US$ 422	US$ (552)	US$ (300)	US$ (365)	US$ 204	US$ 12
Interest	(1,001)	(995)	(1,012)	(1,012)	(1,026)	(285)	(229)
Overall fiscal balance	US$ (456)	US$ (573)	US$ (1,564)	US$ (1,312)	US$ (1,391)	US$ (81)	US$ (217)
Financing:							
Foreign financing	US$ 4	US$ 191	US$ (94)	US$ 603	US$ 588	US$ 66	US$ 489
Domestic financing	(108)	118	1,270	300	476	(33)	(311)
Privatization	559	263	388	409	328	47	39
Total financing	US$ 456	US$ 573	US$ 1,564	US$ 1,312	US$ 1,391	US$ 81	US$ 217

(1) Preliminary data.
(2) Includes transfers from state-owned enterprises and royalties from petroleum companies.
N/A = Not Available.
Source: Central Bank.

Central Government Accounts
(as a percentage of GDP, at current prices)

	1997	1998	1999	2000(1)	2001(1)	For the first 3 months of: 2001(1)	2002(1)
Fiscal revenue:							
Current revenue:							
Tax revenue:							
Income tax	3.6%	3.5%	2.9%	2.7%	3.0%	3.1%	2.8%
Capital gains tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services:							
General Sales Tax	6.6	6.6	6.3	6.4	6.2	6.6	6.2
Selective consumption tax	2.1	2.1	2.0	1.8	1.9	1.9	2.0
Import tariffs	1.6	1.7	1.6	1.6	1.4	1.6	1.3
Other taxes	0.1	(0.2)	(0.3)	(0.5)	(0.2)	(0.3)	(0.7)
Total tax revenue	14.1	13.8	12.5	12.1	12.3	12.9	11.5
Non-tax revenue(2)	1.8	1.9	2.0	2.6	1.8	2.0	1.7
Total current revenue	15.9	15.7	14.5	14.7	14.1	14.9	13.3
Capital revenue	0.1	0.3	0.3	0.3	0.2	0.1	0.1
Total fiscal revenue	16.0%	16.0%	14.8%	15.0%	14.3%	15.0%	13.4%
Expenditures:							
Current expenditures:							
Wages and salaries	4.1%	4.2%	4.4%	4.4%	4.4%	4.1%	4.3%
Goods and services	3.4	3.6	3.6	3.8	3.7	3.5	3.1
Current transfers	4.0	4.1	4.5	4.6	4.4	4.1	4.5
Total current expenditures	11.4	11.9	12.5	12.7	12.6	11.8	11.8
Capital expenditures:							
Fixed investment	2.8	3.0	3.2	2.5	2.1	1.3	1.4
Other	0.9	0.4	0.1	0.3	0.3	0.3	0.1
Of which:							
Capital transfers	0.0	0.0	0.0	0.1	0.1	0.3	0.0
Total capital expenditures	3.7	3.4	3.4	2.8	2.4	1.7	1.4
Total expenditures	15.1%	15.2%	15.9%	15.5%	14.9%	13.4%	13.3%
Fiscal balance:							
Primary fiscal balance	0.9%	0.7%	(1.1)%	(0.6)%	(0.7)%	1.6%	0.1%
Interest	1.8	1.9	2.1	2.2	2.1	2.2	1.9
Overall fiscal balance	(0.9)%	(1.1)%	(3.2)%	(2.7)%	(2.8)%	(0.6)%	(1.8)%
Financing:							
Foreign financing	0.0%	0.3%	(0.2)%	1.1%	1.1%	0.5%	3.7%
Domestic financing	(0.1)	0.3	2.6	0.9	1.1	(0.3)	(2.1)
Privatization	0.9	0.5	0.8	0.8	0.6	0.4	0.3
Total financing	0.9%	1.1%	3.2%	2.7%	2.8%	0.6%	1.8%

(1) Preliminary data.
N/A = Not Available.
Source: Central Bank

One of the Toledo administration's highest priorities is maintaining fiscal discipline while reorienting public spending towards important social programs, particularly education. To achieve fiscal balance, the Toledo administration is considering the following measures:

- a reform of the tax system that will focus on eliminating costly and unnecessary exemptions and improving tax collection mechanisms;
- a review and reform of regulatory and public sector functions to eliminate duplicative tasks, promote efficiency and reduce administrative costs;

- a reduction in total expenditures in the long term, particularly defense expenditures;
- a reform of the Fiscal Prudence Act to provide for automatic adjustments in government expenditures to match revenue streams, while providing the government with fiscal flexibility in recessionary periods; and
- [an overall reduction in the role of government in the economy, especially with respect to large scale public investment projects, which will be relegated to the private sector through concessions and privatizations.]

Tax Regime

All central government taxes in Peru are collected through SUNAT and the *Superintendencia Nacional de Aduanas*, or National Superintendency for Customs, which we refer to in this prospectus as "SUNAD." In accordance with Supreme Decree number 061-2002-PCM, SUNAT and SUNAD merged on July 11, 2002. SUNAT and SUNAD's budgets are determined through a percentage-based funding mechanism, which provides each agency with 2% of its total tax collections. The following table sets forth the composition of the Republic's tax revenues for the periods indicated.

Tax Revenue of the Republic
(as a percentage of total tax revenue)

	1997	1998	1999	2000(1)	2001(1)	For the first 3 months of: 2001(1)	2002(1)
Income tax:							
Individual	7.1%	8.0%	8.9%	9.1%	9.0%	9.5%	10.4%
Corporate	16.2	15.2	12.5	11.4	11.9	12.6	13.8
Clearing	2.5	2.3	1.8	2.2	3.2	1.7	0.4
Total income tax	25.8	25.6	23.2	22.7	24.1	23.8	24.6
Property tax	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Taxes on goods and services:							
General Sales Tax	46.8	48.2	50.5	53.2	50.5	51.1	53.5
Selective Consumption Tax:							
Fuel tax	8.7	8.7	9.6	9.4	9.9	8.6	11.4
Other	6.5	6.2	6.2	5.8	5.2	6.2	5.9
Total Selective Consumption Tax	15.2	15.0	15.8	15.2	15.1	14.8	17.3
Total taxes on goods and services	62.0	63.2	66.3	68.3	65.6	65.9	70.7
Import tariffs	11.2	12.6	13.0	12.9	11.7	12.4	10.9
Other taxes	7.9	6.8	7.2	8.3	10.7	12.1	4.3
Tax refund	(6.9)	(8.2)	(9.8)	(12.3)	(12.1)	(14.1)	(10.6)
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Reflects adjustments to reconcile estimated income tax withheld with actual income tax liabilities.
Source: Central Bank.

Set forth below is a brief description of the Republic's current tax regime, followed by a brief description of the Republic's tax enforcement record.

Income Taxes

The current tax law provides for the following income tax rates for 2002:

Personal Annual Income (in nuevos soles)	2002
0-21,700	0%
21,700-83,700	15
83,700-167,400	21
> 167,400	27

Source: Ministry of Economy.

The current tax law provides for the following corporate tax rates for 2002:

Corporate Tax	2002
Tax on reinvested net profits	27.0%
Tax on retained net profits	27.0
Dividend tax	4.1

Source: Ministry of Economy.

The corporate tax was raised from 20% to 27%, effective at the start of 2002, and applies to the worldwide income of enterprises legally regarded as domiciled in Peru. Also effective beginning in 2001 is a new tax of 4%, applicable to dividends. **[Confirm]** Some forms of income are exempt from the corporate income tax, including:

- income of religious and nonprofit institutions;
- interest on development loans granted by international organizations or foreign governments;
- interest and other gains on loans to the public sector;
- interest on savings held in the domestic financial system;
- royalties for technical assistance provided by international or foreign state agencies;
- capital gains from the sale of securities;
- interest and adjustments to principal from mortgage instruments; and
- interest collected or paid by savings and loans cooperatives.

These exemptions are scheduled to expire on December 31, 2002.

The Republic offers companies in various industries the following tax incentives to encourage their growth in various regions:

- companies operating in the Amazon region that are engaged in the fishing, tourism or forestry industries, or engaged in large-scale agricultural production or cultivation of marine life for consumer consumption, are subject to a 10% tax rate;
- companies in the industries listed above that operate in the departments of Loreto, Madre de Dios, and some districts of Ucayali are subject to a 5% tax rate; and

- companies that operate in the Amazon region that are engaged principally in agriculture and/or the transformation or processing of products classified as native or alternative crops are exempt from income tax.

Capital Gains Tax

The Republic treats all capital gains as ordinary income for tax purposes. Capital gains derived from the following activities are exempt from income taxes:

- the sale of securities registered with the Public Registry of Securities and Broker Dealers and sold through a securities clearing agency;

- the sale of commodities through commodity exchanges regulated by CONASEV;

- the redemption and exchange of debt instruments issued through a public offering by corporations, investment funds and trusts organized or established in Peru; and

- the redemption and exchange of proprietary interests issued through a public offering by mutual funds and trusts.

These exemptions are scheduled to expire on December 31, 2002.

General Sales Tax

The Republic imposes an 18% *Impuesto General a las Ventas*, which we refer to in this prospectus as the "General Sales Tax," a value-added tax that applies to the sale, lease and import of new and used goods and services by manufacturers, wholesalers, importers and retailers. Each party in the chain of production generally collects the tax from its customer and pays to SUNAT the difference between the tax paid to its suppliers and the tax collected from its customers. For imports of goods, the taxable base is the c.i.f price plus customs duties, surcharges and the selective consumption tax paid on such goods.

Some products and services are exempt from the General Sales Tax, including fishmeal, various agricultural products, such as potatoes, tomatoes, beans, coffee, tea, cocoa and wheat, public and cargo transport, financial services, live entertainment and certain essential medicines. The Republic also applies a special exemption for purchases made as part of the development of natural resources. Individuals and companies operating in the Amazon region are exempted from the General Sales Tax with respect to goods and services consumed within this region.

The General Sales Tax does not apply to the export of goods or services or construction contracts performed abroad. Exporters are reimbursed any General Sales Tax they pay on the purchase of goods and services they export and can apply such reimbursements as credits to offset General Sales Tax or income tax liabilities.

Selective Consumption Tax

The Republic applies a selective consumption tax, which is an excise tax, on selected goods and on gambling activities. The following table presents a sample of the tax rates applicable to certain products.

Product	Rate
Soda	17%
Gambling	10
New cars	10
Used cars	30
Wines, vermouths, ciders, whiskey, rum, gin	20
Cigarettes	125
Horse races	2
Beer	S/. 1.16 per liter

Source: Ministry of Economy.

The Republic also imposes a tax on certain fuel products. The tax is levied on the volume sold or imported, expressed in units of measurement established by the Ministry of Economy. The following table presents a sample of the tax rates applicable to certain fuel products.

Fuels	Nuevos soles per kilogram
Gasoline:	
< 84 octane	2.56
84 - 90 octane	3.33
90 - 95 octane	3.62
> 95 octane	3.93
Kerosene	0.88
Gasoils	2.19
Liquid petroleum gas	0.27

Source: Ministry of Economy.

Fuel consumed in the Amazon region is exempt from the fuel tax. Imports or sales of diesel or residual fuel to enterprises engaged in the generation, marketing and distribution of electrical power, as authorized by governmental decrees, are exempt from the fuel tax until December 31, 2003.

Other Taxes

The Republic levies on employers a 2% tax, called the Extraordinary Solidarity Tax, on the total compensation they pay to their employees. This tax was reduced from 5% in September 2001 and is effective only until December 31, 2002. Independent workers earning total gross income of more than S/. 1,808 per month must also pay this tax on their total gross earnings. The tax does not apply to compensation for time of service, bonuses for national holidays and Christmas, payments to household employees and annual profit-sharing allocations.

Tax Amnesty

In April 2001, the Government offered a tax amnesty that exonerated all taxpayers from payment of penalty fees and penalty interests on overdue tax payments. Taxpayers could elect to pay, in a single payment or in installments, the principal amount in taxes owed plus a minimal interest to settle their accounts. A similar amnesty was issued in 2000.

Tax Enforcement

The Republic measures tax evasion only with respect to the General Sales Tax and the most recent statistical analysis was conducted in 1999 with assistance from the IMF. This analysis indicated that the potential tax base for the General Sales Tax represented 51.6% of GDP, which suggested potential revenues from this tax equal to 9.3% of GDP. Actual General Sales Tax revenues, however, equaled 5.6% of GDP in 1999, suggesting losses in respect to this tax equal to 3.7% of GDP.

The Republic has taken a series of steps to combat tax evasion and improve collections, which include the following:

- establishing the *Registro Único de Contribuyentes*, or Taxpayer Registry, a computerized registry of taxpayers;
- creating a dual structure for monitoring taxpayers with special units to monitor principal contributors, who currently account for approximately 70% of total tax revenues collected. Principal contributors are required to pay taxes directly at SUNAT's premises, while the other taxpayers pay their taxes in a private banking network of over 1,300 bank offices. The banking network and a computerized system that automatically monitors tax arrears for principal contributors help to plan auditing operations by providing efficient means of conducting data analysis and monitoring collection trends;
- simplifying the tax structure and a reduction in the number of taxes;
- using more effectively SUNAT's powers to effect attachment of delinquent taxpayers' assets;
- publishing delinquent taxpayers' names; and
- increasing the number of audits of principal contributors.

SUNAT is currently planning the following additional measures to combat tax evasion and improve collections:

- implementing a system of tax withholding for the General Sales Tax, which will apply to approximately 40 to 50 principal taxpayers and all public sector taxpayers;
- improving tax refund mechanisms to avoid refunds to companies with outstanding tax liabilities;
- conducting approximately 17,000 audits of corporations and independent professionals, focusing on collection of the General Sales Tax and corporate taxes; audits of very large corporations will be conducted annually while smaller corporations will be audited every four years;
- increasing the use of a setoff mechanism that permits SUNAT to deduct tax liabilities directly from a delinquent taxpayer's debtors and bank accounts; and
- improving information-sharing mechanisms between SUNAT and other government agencies with respect to principal taxpayers.

The Toledo Administration's Tax Reform Program

The Toledo administration's tax reform program is expected to include the following proposals: **[Has this tax reform program been introduced yet? What is the status?]**

- eliminating special sectoral and regional exemptions, including General Sales Tax exemptions for individuals and companies operating within the Amazon region and for a number of agricultural products, and the selective consumption tax exemption for fuel consumed in the Amazon region;

- decreasing the number of allowable exemptions and deductions under the personal and corporate income tax;

- not renewing tax exemptions and benefits due to expire in 2002;

- eliminating the Extraordinary Solidarity Tax;

- reducing the number of taxes applicable to alcoholic beverages;

- creating an alternative minimum income tax for corporations; and

- working with municipalities to strengthen collection of property taxes—the primary source of municipal tax revenue.

The 2002 Budget

Pursuant to the Constitution and the *Ley de Gestión Presupuestaria del Estado* of 1996, which we refer to in this prospectus as the "Budgetary Administration Law," the Ministry of Economy, acting through the *Dirección Nacional del Presupuesto Público*, which we refer to in this prospectus as the "Public Budget Administration," is responsible for preparing the Republic's annual budget.

The annual budget is prepared on the basis of:

- proposals submitted by the various public entities;

- matching revenue estimates with goals and priorities established for each entity; and

- balances for previous fiscal years and estimates for future years.

The Public Budget Administration submits its proposed budget to the Council of Ministers for approval. If the Council of Ministers approves the proposed budget, it is submitted by the President to Congress by August 30 of each year. Upon Congressional approval, the proposed budget becomes the Annual Law of the Public Sector Budget. Under the Constitution, if by November 30 Congress has not submitted to the Executive Branch an official document commenting on or approving the budget, the budgetary proposal submitted by the President is automatically adopted as the Annual Law of the Public Sector Budget.

Congress approved the 2002 budget on November 29, 2001. The following table sets forth the principal assumptions on which the Government's 2002 budget is based.

Principal Budgetary Assumptions for 2002

	2002
Projected real GDP growth	3.5-4.0%
Projected inflation	2.50%
Projected average exchange rate	S/. 3.54 per dollar

Source: Ministry of Economy.

[For all projections below, please discuss status and whether projections are expected to meet targets]

The 2002 budget projects fiscal revenues of S/. 26.7 billion, or US$7.6 billion, and public expenditures of S/. 35.8 billion, or US$10.4 billion.

The 2002 budget projects a reduction in total public expenditures of 1.6% compared to the 2001 budget, with a projected 15% increase in education expenses and a projected 17% reduction in military spending. Approximately 46% of the 2002 budget is dedicated towards social investment programs in areas such as education and health services. Overall, the 2002 budget projects a 12.4% increase in spending on social programs as compared to the 2001 budget.

The 2002 budget projects an overall fiscal deficit for the central government of US$1.3 billion, or 2.2% of projected GDP, and an overall consolidated public sector deficit of US$1.1 billion, or 1.9% of projected GDP.

The 2002 budget provides for an automatic adjustment of the target fiscal deficit if privatization receipts for 2002 exceed expectations. If privatization revenues in 2002 exceed the Government's projections of US$700 million, the deficit target will be automatically adjusted by the amount of such excess. Such adjustments shall not exceed 0.3% of GDP and all excess privatization receipts will be directed towards spending on infrastructure projects. **[Revise in light of suspension of privatizations]**

The following table summarizes the Government's principal budgetary targets for 2002.

Principal Economic Targets for 2002

		2002
Overall consolidated public sector deficit (as % of GDP)		1.9%
Discretionary public sector expenditures (as % of GDP)		25.6%
Gross public sector debt denominated in foreign currency (in millions of US$)	US$	19,789.0
Increase in net international reserves of the Central Bank relative to December 2001 (in millions of US$)	US$	100.0

Source: Ministry of Economy.

Social Security

Peru has a two-tier pension system. The public pension system is a pay-as-you-go system by which current social security contributions are used to pay benefits currently being provided by the Government. In 1993, the Government also created AFPs as an alternative to the public pension system.

The public pension system has two components: the general pay-as-you-go-system, which applies to the general population and is administered by the *Oficina de Normalización Previsional*, or Office of Pension Regularization, and the special public-sector regimes for the military, police, teachers, certain judges and magistrates, and other special segments of the population. The public sector has two pension reserve funds funded by privatization receipts: the *Fondo Consolidado de Reservas Previsionales*, or Consolidated Reserve Fund, an autonomous fund with resources earmarked to meet public pension obligations falling due over the medium- and long-term, and the *Fondo Nacional de Ahorro Público*, or National Public Savings Fund, the objective of which is to provide supplemental pensions to all low-income pensioners in the private pension system.

The private pension system consists of four AFPs. New entrants to the labor market can join the private pension system but they must exercise this option within 10 days of employment. Otherwise, they are automatically enrolled in a public fund. Workers may leave the public pension system for an AFP at any time, but once they leave the public pension system, they cannot return. To compensate individuals who switch to the AFPs for pension rights they had accumulated while participating in the public pension system, the Government has authorized the issuance of recognition bonds. These bonds are nontransferable, zero-coupon bonds indexed to the consumer price index and redeemable at retirement.

To provide an incentive for individuals to join AFPs and discourage participation in the public pension system, the Government increased the private pension system contribution rate to 11% from 3% in the early 1990s and to 13% in 1997. Workers are eligible to receive benefits at age 65. In December 2001, a congressional commission approved a proposal to reduce the retirement age to 60 for both the private pension system and the AFPs. Congress has approved an increase of the minimum pension from S/. 300 to S/. 415 a month.

The Government is considering proposals to improve the efficiency of the private pension system, while maintaining the basic elements of the current two-tier system. These proposals include the full-funding of the private pension funds with individual capitalization accounts and restrictions on early withdrawal of funds. The Government also expects to reduce the operating cost of AFPs by lowering their required contributions to the SBS and streamlining information disclosure requirements. The Government believes these measures will allow AFPs to reduce commissions, which will continue to be determined by market conditions.

PUBLIC SECTOR DEBT

The Republic's total public sector debt consists of foreign currency-denominated and nuevo sol-denominated debt. The Republic's total public external debt consists of loans from foreign creditors to the Government, the Central Bank and public sector entities.

External Debt

Ninety-three percent of the Republic's public sector external debt consists of foreign currency denominated debt. As of December 31, 2001, public external debt totaled US$19.0 billion, or 35.1% of GDP, compared to US$19.2 billion, or 35.9% of GDP, as of December 31, 2000.

The following tables set forth further information on public sector external debt for the periods shown.

Public Sector External Debt
(in millions of U.S. dollars, except for percentages)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Official reserves liabilities:						
IMF credit use	US$ 869	US$ 756	US$ 589	US$ 349	US$ 202	US$ 134
Total official reserves liabilities	869	756	589	349	202	134
Official non-reserves liabilities:						
Public sector	18,787	19,562	19,500	19,205	18,967	19,113
Total official non-reserves liabilities	18,787	19,562	19,500	19,205	18,967	19,113
Total official liabilities	US$ 19,656	US$ 20,318	US$ 20,089	US$ 19,554	US$ 19,169	US$ 19,247
Total public sector external debt, as % of GDP[1]	31.8%	34.4%	37.7%	35.9%	35.1%	N/A
Total public sector external debt, as % of total exports[1]	206.2%	235.1%	233.6%	205.4%	205.5%	N/A

(1) The Republic does not include IMF credit use in reporting total public sector external debt. Debt ratios are calculated on the basis of the Republic's total official non-reserves liabilities.
N/A = Not Available.
Source: Central Bank.

Public Sector External Debt, Net of Reserves
(in millions of U.S. dollars, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Public sector external debt	US$18,787	US$19,562	US$19,500	US$19,205	US$18,967	US$19,113
Gross international reserves of the Central Bank	(11,119)	(9,982)	(9,003)	(8,563)	(8,838)	(8,940)
Public sector external debt, net of reserves	US$ 7,668	US$ 9,580	US$10,497	US$10,642	US$10,129	US$10,173

Source: Central Bank.

Since 1997, the Republic's public sector external debt as a percentage of GDP and as a percentage of total exports of goods and services has fluctuated, rising from 31.8% of GDP and 206.2% of total exports of goods and services in 1997 to 37.7% of GDP and 233.6% of total exports in 1999, before dropping to 35.1% of GDP and

205.5% of total exports in 2001. This fluctuation was due to decreases in nominal GDP from 1997 to 1999 and increases in nominal GDP in 2000 and 2001.

During the period from 1997 to 2001, multilateral debt represented, on average, 28.6% of the Republic's public sector external debt. The Republic's principal multilateral creditors are the World Bank, representing, on average, 42.6% of outstanding multilateral debt each year from 1997 to 2001, and the IDB, representing, on average, 44.6% of outstanding multilateral debt each year from 1997 to 2001. Loans from the World Bank have funded projects relating to irrigation, agriculture, poverty reduction, education, health reform, transportation and reconstruction efforts following the *El Niño* phenomenon in 1998. Loans from the IDB have been destined primarily for projects relating to poverty reduction, education, financial-sector reform, state modernization programs and reconstruction efforts following the *El Niño* phenomenon.

The following table sets forth information on capital flows from multilateral lenders for the period from 1997 to 2001.

Capital Flows from Multilateral Lenders
(in millions of U.S. dollars)

	1997	1998	1999	2000	2001	As of March 31, 2002
World Bank:						
Disbursements minus principal amortizations	US$ 422.1	US$ 205.2	US$ 291.7	US$ 172.9	US$ 35.4	US$ (30.5)
Disbursements minus principal, interests and commissions	306.6	82.1	131.9	(15.7)	(150.8)	(74.9)
IDB:						
Disbursements minus principal amortizations	449.4	175.0	377.1	(6.1)	267.6	(13.7)
Disbursements minus principal, interests and commissions	329.5	36.9	222.6	(180.9)	95.7	(69.1)

Source: Ministry of Economy (*Dirección General de Crédito Público*, or Office of Public Credit).

The Republic has signed a letter of intent with the IMF establishing a US$316 million stand-by credit facility for 2002-2004. In this letter, the Republic agreed to economic targets and performance criteria upon which IMF support will be conditioned, including the following key economic targets for 2002:

- GDP growth of 3.5% to 4.0%;
- a consolidated public sector deficit of 1.9% of GDP, which was later revised to 2.2%;
- current account deficit of less than 3.0% of GDP;
- a 2.5% inflation rate;
- revenues of $700 million generated through the sale of concessions and state assets; and
- maintenance of gross reserves adequate to cover 10 months of imports of goods and services and the equivalent of 1.5 times the balance of External Debt incurred in the following twelve months. **[Confirm]**

The Republic's main goal in seeking the letter of intent is to gain the IMF's support and oversight for its economic program, in order to promote other sources of foreign credit. The Republic has, at present, suspended its privatization program due to political opposition and public protest. The IMF has accordingly agreed to adjust both the 2002 and 2003 targets for the Republic's consolidated public sector deficit from 1.9% to 2.2% of GDP.

The following tables summarize public sector external debt by creditor for the years indicated.

Public Sector External Debt by Creditor[1]
(in millions of U.S. dollars, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Official creditors:						
Multilateral debt:						
IDB	US$ 2,010	US$ 2,252	US$ 2,632	US$ 2,562	US$ 2,774	US$ 2,756
World Bank	1,919	2,127	2,417	2,590	2,626	2,595
IFAD[2]	28	28	27	23	23	22
IMF	217	226	220	209	185	167
OPEC[3]	2	4	7	10	12	12
Other	355	324	328	435	917	980
Total multilateral debt	4,531	4,961	5,631	5,829	6,537	6,532
Bilateral debt:						
Paris Club	5,803	6,033	5,350	4,904	4,493	4,454
United States	1,406	1,172	1,117	1,059	997	993
Latin America	213	152	96	75	71	71
East Europe countries and China	139	102	64	62	48	46
Japan	1,468	1,740	2,163	2,429	2,198	2,196
Other countries	0	0	0	0	0	0
Total bilateral debt	9,029	9,199	8,790	8,529	7,807	7,760
Total official debt	13,560	14,160	14,421	14,358	14,344	14,292
Private creditors:						
Banking	155	249	225	110	21	21
Suppliers	943	1,023	1,127	1,010	876	865
Total private sector debt	1,098	1,272	1,352	1,120	897	886
Bonds:						
Brady Bonds	4,130	4,130	3,727	3,727	3,727	2,524
Global Bonds	0	0	0	0	0	1.423
Total bonds	4,130	4,130	3,727	3,727	3,727	3,947
Total public sector external debt	US$18,788	US$19,562	US$19,500	US$19,205	US$18,968	US$19,114

(1) Medium- and long-term debt, excluding IMF financing.
(2) Refers to the International Fund for Agricultural Development.
(3) Refers to the Organization of Petroleum Exporting Countries.
Source: Ministry of Economy (*Dirección General de Crédito Publico*, or Office of Public Credit).

Public Sector External Debt by Creditor[1]
(as a percentage of total public sector external debt)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Official creditors:						
Multilateral debt:						
IDB	10.7%	11.5%	13.5%	13.3%	14.6%	14.4%
World Bank	10.2	10.9	12.4	13.5	13.8	13.6
IFAD[2]	0.1	0.1	0.1	0.1	0.1	0.1
IMF	1.2	1.2	1.1	1.1	1.0	0.9
OPEC[3]	0.0	0.0	0.0	0.1	0.1	0.1
Other	1.9	1.7	1.7	2.3	4.8	5.1
Total multilateral debt	24.1	25.4	28.9	30.4	34.5	34.2
Bilateral debt:						
Paris Club	30.9	30.8	27.4	25.5	23.7	23.3
United States	7.5	6.0	5.7	5.5	5.3	5.2
Latin America	1.1	0.8	0.5	0.4	0.4	0.4
East Europe countries and China	0.7	0.5	0.3	0.3	0.3	0.2
Japan	7.8	8.9	11.1	12.6	11.6	11.5
Other countries	0.0	0.0	0.0	0.0	0.0	0.0
Total bilateral debt	48.1	47.0	45.1	44.4	41.2	40.6
Total official debt	72.2	72.4	74.0	74.8	75.6	74.8
Private creditors:						
Banking	0.8	1.3	1.2	0.6	0.1	0.1
Suppliers	5.0	5.2	5.8	5.3	4.6	4.5
Total private sector debt	5.8	6.5	6.9	5.8	4.7	4.6
Bonds:						
Brady Bonds	22.0	21.1	19.1	19.4	19.6	[20.6]
Global Bonds	0	0	0	0	0	[•]
Total bonds	22.0	21.1	19.1	19.4	19.6	20.6
Total public sector external debt	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Medium- and long-term debt, excluding IMF financing.
(2) Refers to the International Fund for Agricultural Development.
(3) Refers to the Organization of Petroleum Exporting Countries.
Source: Ministry of Economy (*Dirección General de Crédito Publico*, or Office of Public Credit).

As of December 31, 2001, medium- and long-term debt constituted 99.9% of the Republic's public sector external debt. Approximately 67.5% of the Republic's outstanding loans are for terms greater than 12 years. The following table sets forth information regarding the terms of the Republic's public sector external debt for the periods shown.

Public Sector External Debt Structure, by Maturity Date
(in millions of U.S. dollars and as a percentage of total public sector external debt)[1]

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Short-term debt	US$ 81	US$ 43	US$ 10	US$ 34	US$ 23	US$ 20
Medium- and long-term debt	19,656	20,318	20,089	19,554	19,169	19,247
Short-term debt (as % of total public sector external debt)	0.4%	0.2%	0.1%	0.2%	0.1%	0.1%

(1) Includes Central Bank debt.
Source: Central Bank.

The following table sets forth public sector external debt by currency, as of March 31, 2002.

Summary of Public Sector External Debt by Currency[1]
(in millions of U.S. dollars, except for percentages)

	As of March 31, 2002	
Currency	**US$**	**%**
U.S. dollar	10,599,589	55.5
Japanese yen	2,970,295	15.5
Special Drawing Rights (SDR)[2]	188,478	1.0
Single currency pool (SCP)[3]	1,185,891	6.2
IDB unit of account	1,178,475	6.2
English pound	199,147	1.0
Canadian dollar	82,370	0.4
Swedish krona	59,524	0.3
Norwegian kroner	44,705	0.2
Euro	2,604,259	13.6
Swiss franc	571	0.0
Venezuelan Bolivar	80	0.0
Total	19,113,384	100.0

(1) Includes multilateral, Paris Club and suppliers debt.
(2) IMF unit of account, based on a basket of national currencies.
(3) World Bank unit of account, based on a basket of national currencies.
Source: Ministry of Economy (*Dirección General de Crédito Público*, or Office of Public Credit).

From 1997 to 2001, total public sector external debt service ranged, as a percentage of total fiscal revenue, from a low of 19.5% in 1998 to a high of 26.9% in 2000. Public sector external debt service measured as a percentage of total exports of goods and services increased from 21.9% in 1997 to 24.3% in 1999, before dropping to 21.6% in 2001. For 2002, the Republic expects public sector external debt service to represent 22.8% of total fiscal revenue and 33.6% of total exports of goods and services. As a percentage of GDP, public sector external debt service increased from 3.4% in 1997 to 4.0% in 2000 before dropping to 3.7% in 2001. It is expected to decrease to 3.2% in 2002.

The following table sets forth information regarding the Republic's public sector external debt service for the periods indicated.

Public Sector External Debt Service[1]

	As of December 31,					As of March 31,	
	1997	1998	1999	2000	2001	2001	2002
Interest payments	US$ 1,037	US$ 1,032	US$ 1,057	US$ 1,112	US$ 1,076	US$ 268	US$ 234
Amortization	955	738	971	1,042	918	205	1,059[3]
Total public sector external debt service	US$ 1,992	US$ 1,770	US$ 2,028	US$ 2,154	US$ 1,994	US$ 473	US$ 1,293
As % of total exports[2]	21.9%	21.3%	24.3%	23.0%	21.6%	21.5%	63.7%
As % of total exports and workers' remittances	20.4	19.7	22.5	21.4	20.0	N/A	N/A
As % of GDP	3.4	3.1	3.9	4.0	3.7	3.7	9.7
As % of total fiscal revenue	21.1	19.5	26.6	26.9	25.9	N/A	N/A

(1) Excludes Central Bank debt.
(2) Includes exports of goods and services and investment income.
(3) Includes US$902 million in Brady Bonds exchanged for Global Bonds.
N/A = Not Available.
Source: Central Bank.

In 2001, interest payments decreased to US$1.08 billion, or 2.0% of GDP, from US$1.1 billion in 2000, or 2.1% of GDP, as a result of a decrease in international interest rates. In 2001, the Republic paid US$427 million in interest to Paris Club creditors, US$425 million to multilateral creditors, US$161 million to Brady bondholders and US$65 million to other creditors.

The following table sets forth estimated public sector external debt service through 2007.

Estimated Public Sector Debt Service by Debtor (1)(2)
2003 - 2007
(in millions of U.S. dollars)

	2003			2004			2005			2006			2007		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
Non-financial public sector:															
Central Government	US$ 1,007	US$ 1,039	US$ 2,046	US$ 1,119	US$ 986	US$ 2,105	US$ 1,167	US$ 921	US$ 2,088	US$ 1,201	US$ 854	US$ 2,055	US$ 1,246	US$ 798	US$ 2,044
Public enterprises	28	13	41	28	12	40	29	11	40	31	10	41	32	9	41
	1,035	1,052	2,087	1,147	998	2,145	1,196	932	2,128	1,232	864	2,096	1,278	807	2,085
Financial public sector	40	14	54	34	12	46	30	11	41	19	10	29	19	10	28
Total public sector	US$ 1,075	US$ 1,066	US$ 2,141	US$ 1,181	US$ 1,010	US$ 2,191	US$ 1,226	US$ 943	US$ 2,169	US$ 1,251	US$ 874	US$ 2,125	US$ 1,297	US$ 817	US$ 2,113

(1) Disbursements preliminary estimates, as of March 2002.
(2) Includes Loans of COFIDE without the Republic Guarantee.
Source: Central Bank and Ministry of Economy (*Dirección General de Crédito Público*, or Office of Public Credit).

The Republic has issued public sector external bonds only in connection with the Brady restructuring. For a description of the Brady restructuring, see "—Debt Management and Restructuring." As of March 31, 2002, US$3.7 billion principal amount remained outstanding on the Brady bonds.

Domestic Debt

The following table sets forth total public sector domestic debt, excluding intra-governmental debt.

Total Public Sector Domestic Debt
(in millions of U.S. dollars, at current prices)

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Long-term debt:						
Banco de la Nación	US$ 695.8	US$ 702.9	US$ 922.0	US$ 951.2	US$ 954.4	US$ 937.7
Treasury bonds	123.7	150.6	1,006.0	977.4	1,504.3	1,644.1
Pension Reform Bonds	N/A	N/A	2,393.0	2,681.0	2,765.0	2,766.0
Other[1]	92.0	91.4	94.0	43.4	52.6	53.2
Total long-term debt	911.5	944.9	4,415.0	4,653.0	5,276.3	5,401.0
Short-term debt	N/A	N/A	400.0	392.0	465.0	319.0
Total	N/A	N/A	US $4,815.0	US$ 5,045.0	US$ 5,741.3	US$ 5,720.0
Total public sector domestic debt, as % of GDP	N/A	N/A	9.3%	9.4%	N/A	N/A

(1) Includes credits from *Banco de la Nación* to local governments and reflects discrepancies in the data available from different government entities.
N/A = Not Available.
Source: Ministry of Economy (*Dirección General de Crédito Público*, or Office of Public Credit), Central Bank.

The following table sets forth a list of the Republic's outstanding domestic public sector bonds.

Public Sector Domestic Bonds[1]
(in millions of U.S. dollars, at current prices)

	Principal Amount Outstanding as of March 31, 2002
Central Bank capitalization bonds	US$ 105
Financial system support bonds	776
Debt exchange bonds	244
Pension reform bonds	2,766
Sovereign bonds	486
Other bonds	34
Total	US$ 4,411

(1) Excludes intra-government debt issued in the form of bonds.
Source: Central Bank.

In March 2001, the Government established a public auction system for bonds in Peruvian legal currency. This system has increased the availability of investment instruments in the domestic capital markets and reduced the Republic's exposure to currency exchange risk.

Debt Management and Restructuring

The regional debt crisis, which started in 1982, resulted in growing unwillingness on the part of foreign commercial banks to lend to the Republic. At the same time, a sharp decrease in the export prices of mining products and the 1982-1983 *El Niño* phenomenon led to a deterioration in the Republic's balance of payments and fiscal accounts, which made it difficult for the Republic to service its debt. Faced with an unsustainable debt burden, the Government suspended payment on its external commercial bank debt in 1984. By the end of 1984, the Republic had failed to make scheduled payments of US$1.0 billion in principal and interest on its commercial bank debt.

In 1985, the García administration declared that service of the public sector external debt would not exceed 10% of total exports. In 1986, the IMF declared Peru ineligible for additional funds, and in 1987 the World Bank suspended loan disbursements. Despite a decline in new loans, the Republic's total public sector debt increased from US$10.9 billion to US$18.9 billion in the period from 1985 to 1990, as unpaid interest continued to accrue.

In 1991, the Fujimori administration began a series of negotiations that led to a normalization of relations with multilateral creditors. In September 1991, the Republic paid all amounts in arrears owed to the IDB, and in March 1993, it paid a total of US$1.8 billion in arrears owed to the IMF and the World Bank. Since 1993, the IMF has approved the following credit facilities:

- in 1993, the IMF approved a US$1.5 billion Extended Fund Facility for the period from 1993 to 1995;
- in 1996, the IMF approved a US$358 million Extended Fund Facility for the period from 1996 to 1998;
- in 1999, the IMF approved a US$512 million Extended Fund Facility for the period from 1999 to 2000; and
- in 2002, the IMF approved a US$316 million stand-by credit facility for the period from 2002 to 2004.

These credit facilities were and are primarily intended to help the Republic overcome its fiscal deficits.

The Fujimori administration also negotiated substantial reductions in the Republic's short-term external debt with its principal bilateral creditors. During the 1990s, the Republic conducted the following three rounds of negotiations with the Paris Club:

- in September 1991, the Republic successfully rescheduled US$4.7 billion of its Paris Club debt maturing between October 1991 and December 1992;
- in May 1993, the Republic rescheduled an additional US$1.8 billion of its Paris Club debt maturing between March 1993 and March 1996; and
- in July 1996, the Republic rescheduled an additional US$6.3 billion of its Paris Club debt maturing between April 1996 and December 1998.

As a result of this restructuring, the Republic obtained the following extensions with respect to credits maturing in the relevant period:

- a 20-year extension for concessionary credits, with a 10-year grace period; and
- a 14-year extension on commercial credits, representing the majority of the Republic's Paris Club debt, with a 7-year grace period.

Additionally, as a result of the 1996 restructuring, the Republic obtained the following reductions in its debt:

- a reduction in debt payments from US$970 million per year to approximately US$530 million per year with respect to indebtedness maturing between April 1996 and December 1998; and

- a reduction in debt payments from US$1.2 billion per year to approximately US$ 1.0 billion per year with respect to indebtedness maturing between 1999 and 2006.

In 1997, the Republic renegotiated its debt with international commercial banks under the Brady program. The Brady restructuring reduced the Republic's international commercial bank debt from US$10.6 billion to US$4.9 billion, US$2.4 billion of which were PDI Bonds, US$1.7 billion FLIRBs, US$573 million Discount Bonds and US$183 million in Par Bonds. The PDI Bonds and FLIRBs have a 20-year term. The Discount Bonds and the Par Bonds have 30-year terms, and are collateralized by zero-coupon U.S. Treasury bonds. **[Provide figures for amounts currently outstanding of each Brady bond]**

In February 2002, the Republic launched its first international bond in 74 years, the Global Bonds, raising $500 million. The Global Bonds were more than three times oversubscribed. At the same time, the Republic retired $1.20 billion in principal amount of Brady bonds in exchange for a further $923 million in principal amount of the Global Bond. The exchange lowered the Republic's debt by $281 million and freed up a further $50 million in collateral backing the Brady bonds, the issuance of the Global Bonds pushed up total debt by only $170 million.

Debt Record

Since the Brady restructuring in 1997, the Republic has serviced its external debt without default except as described below.

Upon completion of the Brady restructuring, the Republic ceased making payments of principal or interest to lenders who had failed to participate in the restructuring. These lenders included Elliot Associates, L.P., a private investment firm that acquired US$20.0 million in Peruvian debt. This firm obtained a US$55.7 million judgment against the Republic for non-payment of interest, and an attachment of the Republic's assets held at Chase Manhattan Bank of New York, which the Republic had originally allocated for interest payments on its Brady bonds. As a result, on September 7, 2000, the Republic failed to make a required interest payment of US$80 million to its Brady bondholders, even though it had deposited in its Chase account sufficient funds with the purpose of making such payment. On September 26, 2000, Elliot Associates, L.P. obtained an injunction against the clearing agency Euroclear that prevented it from receiving or distributing funds supplied by the Republic for the payment of interest on the Republic's Brady Bonds. The Elliot Associates, L.P. litigation was settled following the issuance of the injunction against Euroclear and the Republic made interest payments to its Brady bondholders on October 4, 2000, within the 30-day applicable grace period for the Brady bonds. The Republic has made all its debt payments to Elliot Associates, L.P. in accordance with the terms of the settlement. **[Confirm]**

Four other creditors also failed to participate in the Brady restructuring for reasons that included failure to provide the required documentation and failure to identify the actual holder of the debt to be exchanged. Since the Brady restructuring, the Republic has been in default on payments to these creditors. As of March 31, 2002, these payments totaled US$• million in principal and interest. **[Update figure]** There are no further scheduled amortizations or interest payments on these debts. None of these creditors has submitted claims against the Republic for overdue amounts.

As of the date of this prospectus, the Republic is not aware of any claims filed against it, in Peru or abroad, for overdue debt payments, nor is the Republic involved in any disputes with its internal or external creditors. **[Confirm]**

THE EXCHANGE OFFER

The Exchange Offer

On February 21, 2002, the Republic issued US$1,422,983,000 aggregate principal amount of its Global Bonds in transactions not subject to the registration requirements of the Securities Act and applicable state securities laws. This exchange offer relates to the exchange of up to US$1,422,983,000 aggregate principal amount of Exchange Bonds for an equal aggregate principal amount of Global Bonds. The Exchange Bonds will be the Republic's obligation and are entitled to the benefits of the fiscal agency agreement described in "Description of the Exchange Bonds."

The following is a summary of the registration rights agreement dated as of January 31, 2002, to which we refer in this prospectus as the registration rights agreement, among the Republic, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc., the initial purchasers in the offering of the Global Bonds.

Terms of the Exchange Offer

The registration rights agreement requires the Republic to file the registration statement, of which this prospectus is a part, for a registered exchange offer relating to an issue of registered Exchange Bonds identical in all material respects to the outstanding Global Bonds except for the transfer restrictions and the registration rights relating to the Global Bonds. Under the registration rights agreement, the Republic is required to:

- prepare and, not later than 180 days following the date of the original issuance of the Global Bonds, or if such 180^{th} day is not a business day, the next succeeding business day, file with the SEC a registration statement with respect to the exchange offer, which will have terms identical in all material respects to the Global Bonds, except for the transfer restrictions and registration rights relating to the Global Bonds;

- use its best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act within 240 days after the date of the original issuance of the Global Bonds, or if such 240^{th} day is not a business day, the next succeeding business day;

- commence the exchange offer promptly after the registration statement has been declared effective by the SEC; and

- keep the exchange offer open for not less than 20 business days and not more than 30 business days after notice of the exchange offer is given to each holder of Global Bonds.

In some circumstances, if we are unable to consummate the exchange offer, we may be required to:

- promptly file with the SEC a shelf registration statement covering the offer and sale of the Global Bonds and Exchange Bonds, as applicable;

- use our best efforts to cause the shelf registration statement to be promptly declared effective under the Securities Act; and

- use our best efforts to keep the shelf registration statement continuously effective, supplemented and amended as required by the Securities Act for a period of two years after the shelf registration statement is declared effective by the SEC or such shorter period that will terminate when all Global Bonds and Exchange Bonds, as applicable, covered by the shelf registration statement have been sold.

We will accept for exchange all Global Bonds validly tendered, and not withdrawn, prior to 5:00 p.m., New York City time, on the expiration date. We will issue Exchange Bonds for an equal principal amount of Global Bonds accepted in the exchange offer. Holders may tender Global Bonds only in integral multiples of $1,000. This prospectus, together with the accompanying letter of transmittal, is being sent to all record holders of Global Bonds as of [•], 2002. The exchange offer is not conditioned upon the tender of any minimum principal amount of Global Bonds. The Republic's obligation to accept Global Bonds for exchange is, however, subject to the conditions as set forth under "—Conditions."

Global Bonds will be deemed accepted when, as and if the Republic has given written notice of acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders of Global Bonds for the purposes of receiving the Exchange Bonds and delivering them to the holders.

Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to other issuers, the Republic believes that the Exchange Bonds issued in the exchange offer may be offered for resale, resold or otherwise transferred by each holder without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- the holder is not a broker-dealer who acquires the Global Bonds directly from the Republic for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act;

- the holder is not an "affiliate" of the Republic, as that term is defined in Rule 405 under the Securities Act; and

- the Exchange Bonds are acquired in the ordinary course of the holder's business and the holder is not engaged in, and does not intend to engage in, a distribution of the Exchange Bonds and has no arrangement or understanding with any person to participate in a distribution of the Exchange Bonds.

By tendering the Global Bonds in exchange for Exchange Bonds, each holder, other than a broker-dealer, will represent to the Republic that:

- any Exchange Bonds to be received by it will be acquired in the ordinary course of its business;

- it is not engaged in, and does not intend to engage in, a distribution of such Exchange Bonds and has no arrangement or understanding to participate in a distribution of the Exchange Bonds; and

- it is not an "affiliate" of the Republic, as that term is defined in Rule 405 under the Securities Act.

If a holder of Global Bonds is engaged in or intends to engage in a distribution of the Exchange Bonds or has any arrangement or understanding with respect to the distribution of the Exchange Bonds to be acquired pursuant to the exchange offer, the holder may not rely on the applicable interpretations of the staff of the SEC and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each broker-dealer that receives Exchange Bonds for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of these Exchange Bonds. The accompanying letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Bonds received in exchange for Global Bonds where such Global Bonds were acquired by the broker-dealer as a result of market-making activities or other trading activities.

The registration rights agreement requires that if:

- because of any change in law or applicable interpretations thereof by the SEC's staff, the Republic is not permitted to effect the exchange offer;

- the exchange offer is not for any other reason consummated by October 31, 2002; or

- the exchange offer has been completed and in the opinion of counsel for the initial purchasers a registration statement must be filed and a prospectus must be delivered by the initial purchasers in connection with any offering and sale of Global Bonds,

then, in any such case, the Republic will use its best efforts to cause to be filed as soon as practicable a shelf registration statement with the SEC covering resales of the Global Bonds by holders who satisfy the condition relating to the provision of information in connection with the shelf registration statement, and to have the shelf registration statement declared effective by the SEC.

Holders who do not tender their Global Bonds before the expiration of the exchange offer will not be entitled to exchange their untendered Global Bonds for Exchange Bonds. Holders of Global Bonds will not be able to offer or sell their Global Bonds, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws, unless the Global Bonds are subsequently registered under the Securities Act. Subject to limited exceptions, the Republic will have no obligation to register the Global Bonds.

Expiration Date; Extensions; Amendments; Termination

The term "expiration date" means [•], 2002, 5:00 p.m., New York City time, unless the exchange offer is extended, in which case the term "expiration date" shall mean the latest date to which the exchange offer is extended.

In order to extend the expiration date, the Republic will notify the exchange agent of any extension by written notice and may notify the holders of the Global Bonds by mailing an announcement or by means of a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

In addition, the Republic reserves the right to delay acceptance of any Global Bonds, to extend the exchange offer or to terminate the exchange offer and not permit acceptance of Global Bonds not previously accepted if any of the conditions set forth under "—Conditions" shall have occurred and shall not have been waived by the Republic, if permitted to be waived, by giving written notice of such delay, extension or termination to the exchange agent. The Republic also reserves the right to amend the terms of the exchange offer in any manner deemed by the Republic to be advantageous to the holders of the Global Bonds.

If the Republic makes any material change to terms of the exchange offer, the exchange offer shall remain open for a minimum of an additional five business days if the exchange offer would otherwise expire during that period. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by written notice of the delay to the exchange agent. If the Republic amends the exchange offer in a manner that constitutes a material change, the Republic will promptly disclose the amendment in a manner reasonably calculated to inform the holders of the Global Bonds of the amendment, including by providing public announcement or giving oral or written notice to the holders of the Global Bonds. A material change in the terms of the exchange offer could include, among other things, a change in the timing of the exchange offer, a change in the exchange agent, and other similar changes in the terms of the exchange offer.

Without limiting the manner in which the Republic may choose to make a public announcement of any delay, extension, amendment or termination of the exchange offer, the Republic will have no obligation to publish, advertise, or otherwise communicate any such public announcement.

Interest on the Exchange Bonds

Interest on the Exchange Bonds will accrue from the last date on which interest was paid on the Global Bonds surrendered in the exchange offer. If no interest has been paid on the Global Bonds, interest on the Exchange Bonds will accrue from the date the Global Bonds were issued. Interest on the Exchange Bonds is payable semiannually on February 21 and August 21 of each year at the rate of 9⅛% per annum. Holders whose Global Bonds are accepted for exchange will be deemed to have waived the right to receive any payment in respect of interest on the Global Bonds accrued from August 21, 2002 until the date of the issuance of the Exchange Bonds.

Consequently, holders who exchange their Global Bonds for Exchange Bonds will receive the same interest payment that they would have received had they not accepted the exchange offer. The first date interest will be paid with respect to the Exchange Bonds will be February 21, 2003, assuming the expiration date is not extended beyond February 5, 2003.

Procedures for Tendering

In order to tender Global Bonds in the exchange offer, a holder must complete one of the procedures described below. In addition, either:

- The holder must cause DTC to deliver to the exchange agent at or prior to 5:00 p.m., New York City time, on the expiration date, confirmation that such holder's Global Bonds have been transferred from the account of a DTC participant to the exchange agent's account at DTC. The confirmation should include a message stating that DTC has received express acknowledgement from such DTC participant that it has received, and agrees to be bound by, the terms of the accompanying letter of transmittal and that the issuers may enforce such agreement against such DTC participant.

- The holder must complete, sign and date the letter of transmittal or a facsimile of the letter of transmittal, have the signatures guaranteed if required by the letter of transmittal and mail or otherwise deliver the letter of transmittal or facsimile, together with certificates for the Global Bonds being tendered, to the exchange agent at or prior to 5:00 p.m., New York City time, on the expiration date.

- The holder must comply with the guaranteed delivery procedures described below under "—Guaranteed Delivery Procedures."

The method of delivery of Global Bonds, letters of transmittal and all other required documents is at the election and risk of the holders. In the case of any tender of certificated notes, we recommend that holders use an overnight or hand-delivery service rather than tendering by mail. If a holder does deliver by mail, we recommend using registered mail, properly insured, with return receipt requested. In all cases, sufficient time should be allowed to assure timely delivery. No letters of transmittal or Global Bonds should be sent to the Republic.

Holders of Global Bonds may also request that their respective brokers, dealers, commercial banks, trust companies or nominees tender Global Bonds for them.

The tender by a holder of Global Bonds will constitute an agreement between such holder and the Republic in accordance with the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal.

Any beneficial owner whose Global Bonds are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct the registered holder to tender on his or her behalf. If the beneficial owner wishes to tender on his or her own behalf, that beneficial owner must, prior to completing and executing the letter of transmittal and delivering his or her Global Bonds, either make appropriate arrangements to register ownership of those Global Bonds in his or her own name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signature Requirements and Signature Guarantees

Except in two situations described below, signatures on a letter of transmittal or a notice of withdrawal must be guaranteed by:

- a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc.;

- a commercial bank or trust company having an office or correspondent in the United States; or
- an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Signature guarantees are not required if the Global Bonds are tendered:

- by a registered holder of the Global Bonds or a DTC participant whose name appears on a security position listing as holder, in either case, who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal and the Exchange Bonds are being issued directly to such registered holder or are being deposited into such participant's account at DTC, as applicable; or
- for the account of an eligible guarantor institution.

If the letter of transmittal is signed by the recordholder(s) of the Global Bonds tendered thereby, the signature must correspond with the name(s) written on the face of the Global Bonds without alteration, enlargement or any change whatsoever. If the letter of transmittal is signed by a DTC participant, the signature must correspond with the name as it appears on the security position listing as the holder of the Global Bonds.

If the registered holder of Global Bonds does not sign the letter of transmittal, but rather the letter of transmittal is signed by someone else, those Global Bonds must be:

- endorsed by the registered holder with the signature on that letter guaranteed by an eligible guarantor institution; or
- accompanied by a bond power in a form satisfactory to the issuers, signed by the registered holder.

If the letter of transmittal, endorsement, bond power, power of attorney or any other documents required by the letter of transmittal are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons must:

- indicate their status when signing; and
- submit evidence that satisfies the Republic of their authority to act in this capacity with respect to the letter of transmittal.

Guaranteed Delivery Procedures

If a registered holder of Global Bonds desires to tender Global Bonds but cannot complete the procedures for tendering described above in a timely manner, such holder may tender Global Bonds by causing an "eligible guarantor" institution, within the meaning of Rule 17Ad-l5 under the Exchange Act to mail or otherwise deliver to the exchange agent at or prior to 5:00 p.m., New York City time, on the expiration date, a properly completed and duly signed notice of guaranteed delivery and letter of transmittal, substantially in the form accompanying this prospectus. The notice of guaranteed delivery must:

- set forth the registered holder's name and address, the certificate number of the Global Bonds being tendered, if available, and the principal amount of the Global Bonds being tendered;
- state that the tender is being made by an eligible guarantor institution; and
- guarantee that, within, [five] business days after the expiration date, the eligible guarantor institution will deposit with the exchange agent (1) a confirmation that the Global Bonds being tendered have been transferred from the account of a DTC participant to the exchange agent's account at DTC and

any other documents required by the letter of transmittal or (2) certificates for the Global Bonds being tendered in proper form for transfer and (3) any other documents required by the letter of transmittal.

Any such tender will be valid if, within, [five] business days after the expiration date, the eligible guarantor institution makes such deposit as guaranteed.

Validity, Form, Eligibility and Acceptance of Tendered Global Bonds

All questions as to the validity, form, eligibility, time of receipt, acceptance and withdrawal of tendered Global Bonds will be determined by the Republic in its sole discretion, which determination will be final and binding. The Republic reserves the absolute right to reject any and all Global Bonds not properly tendered or any Global Bonds which, if accepted, would, in the opinion of the Republic or its counsel, be unlawful. The Republic also reserves the right to waive any conditions of the exchange offer or irregularities or defects in tender as to particular Global Bonds. The Republic's interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties.

Unless waived, any defects or irregularities in connection with tenders of Global Bonds must be cured within such time as the Republic shall determine. None of the Republic, the exchange agent or any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Global Bonds, nor shall any of them incur any liability for failure to give such notification. Tenders of Global Bonds will not be deemed to have been made until such irregularities have been cured or waived. Any Global Bonds received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost by the exchange agent to the tendering holders of those Global Bonds, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In addition, the Republic reserves the right in its sole discretion, subject to the provisions of the respective fiscal agency agreement relating to the Global Bonds and the Exchange Bonds, to:

- purchase or make offers for any Global Bonds that remain outstanding subsequent to the expiration date or, terminate the exchange offer in accordance with the terms of the registration rights agreement; and

- to the extent permitted by applicable law, purchase Global Bonds in the open market, in privately negotiated transactions or otherwise.

The terms of any such purchases or offers could differ from the terms of the exchange offer.

Book-Entry Transfer

The exchange agent will make a request to establish an account with respect to the Global Bonds at DTC for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a DTC participant may make book-entry delivery of Global Bonds by causing DTC to transfer such Global Bonds into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. However, although delivery of Global Bonds may be effected through book-entry transfer into the exchange agent's account at DTC, a confirmation of book-entry transfer or the letter of transmittal or facsimile thereof with any required signature guarantees and any other required documents must, in any case, be transmitted to and received by the exchange agent at one of the addresses set forth under "—Exchange Agent" on or prior to the expiration date or the guaranteed delivery procedures described above must be complied with. Delivery of documents to DTC does not constitute delivery to the exchange agent. All references in this prospectus to deposit of Global Bonds shall be deemed to include DTC's book-entry delivery method.

Withdrawal of Tenders

Except as otherwise provided herein, tender of Global Bonds may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.

A holder may withdraw Global Bonds it has tendered in the exchange offer by delivering a written notice of withdrawal to the exchange agent prior to 5:00 p.m., New York City time, on the expiration date.

Any notice of withdrawal must:

1. specify the name of the person that tendered the Global Bonds to be withdrawn;

2. identify the Global Bonds to be withdrawn, including, if applicable, the registration number or numbers and total principal amount of the Global Bonds;

3. be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Global Bonds were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to permit the fiscal agent with respect to the Global Bonds to register the transfer of such Global Bonds into the name of the person withdrawing the tender;

4. specify the name in which any such Global Bonds are to be registered, if different from that of the person that initially deposited them; and

5. if the Global Bonds have been tendered pursuant to the book-entry procedures, specify the name and number of the DTC participant's account at DTC to be credited, if different than that of the person withdrawing the tender.

The Republic will determine all questions as to the validity, form and eligibility, and time of receipt of any notices of withdrawal, which shall be final and binding on all parties. Any Global Bonds so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any Global Bonds that have been tendered for exchange and that are not exchanged for any reason will be returned to the holder thereof without cost to such holder, or, in the case of Global Bonds tendered by book-entry transfer, such Global Bonds will be credited to an account maintained with the book-entry transfer facility for the Global Bonds, as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn Global Bonds may be re-tendered by following one of the procedures described under "—Procedures for Tendering" and "—Book-Entry Transfer" above at any time on or prior to the expiration date.

Acceptance of Global Bonds for Exchange; Delivery of Exchange Bonds

After all of the conditions to the exchange offer have been satisfied or waived, any and all Global Bonds properly tendered, and not properly withdrawn, will be accepted, promptly after the expiration date, and the Exchange Bonds will be issued promptly after acceptance of the Global Bonds. For purposes of the exchange offer, Global Bonds shall be deemed to have been accepted as validly tendered for exchange when and if the Republic has given written notice thereof to the exchange agent.

In all cases, issuance of Exchange Bonds for Global Bonds that are accepted for exchange pursuant to the exchange offer will be made only after the exchange agent's timely receipt of:

- certificates for Global Bonds or a timely confirmation of a book-entry transfer of Global Bonds into the exchange agent's account at DTC;

- a properly completed and duly executed letter of transmittal; and

- all other required documents required by the letter of transmittal.

If any tendered Global Bonds are not accepted for any reason set forth in the terms and conditions of the exchange offer or if Global Bonds are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged Global Bonds will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer. In the case of Global Bonds tendered by the book-entry transfer procedures described below, the non-exchanged Global Bonds will be credited to an account maintained with DTC.

Conditions

Notwithstanding any other term of the exchange offer, Global Bonds will not be required to be accepted for exchange, nor will Exchange Bonds be issued in exchange for any Global Bonds, and the Republic may terminate or amend the exchange offer as provided herein before the acceptance of any Global Bonds, if:

- because of any change in applicable law, or interpretations of applicable law, the Republic determines that it is not permitted to effect the exchange offer;
- an action is proceeding or threatened that would materially impair the Republic's ability to proceed with the exchange offer; or
- not all government approvals that the Republic deems necessary for the consummation of the exchange offer have been received.

The Republic has no obligation to, and will not knowingly, permit acceptance of tenders of Global Bonds:

- from "affiliates" of the Republic, as that term is defined in Rule 405 under the Securities Act;
- from any other holder or holders who are not eligible to participate in the exchange offer under applicable law or interpretations by the SEC; or
- if the Exchange Bonds to be received by any holder or holders of Global Bonds in the exchange offer will, upon receipt, not be tradable by that holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the "blue sky" or securities laws of substantially all the states of the United States.

Exchange Agent

• has been appointed as exchange agent for the exchange offer. Questions and requests for assistance and requests for additional copies of this prospectus, the letter of transmittal or notice of guaranteed delivery should be directed to the exchange agent.

Fees and Expenses

The Republic will pay the expenses of soliciting tenders under the exchange offer. The Republic will not make any payments to brokers, dealers or other persons soliciting acceptances of the exchange offer. The Republic, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse the exchange agent for its reasonable documented out-of-pocket expenses in connection with its services. The Republic may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, the letter of transmittal and related documents to the beneficial owners of the Global Bonds, and in handling or forwarding tenders for exchange.

The expenses to be incurred in connection with the exchange offer will be paid by the Republic, including fees and expenses of the exchange agent and fiscal agent and legal, printing and related fees and expenses.

The Republic will pay all transfer taxes, if any, applicable to the exchange of Global Bonds pursuant to the exchange offer. If however:

- certificates representing Exchange Bonds or Global Bonds for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Global Bonds tendered;

- tendered Global Bonds are registered in the name of any person other than the person signing the letter of transmittal; or

- a transfer tax is imposed for any reason other than the exchange of Global Bonds pursuant to the exchange offer;

then the amount of any transfer taxes, whether imposed on the registered holder or any other persons, will be payable by the tendering holder. If satisfactory evidence of payment of the transfer taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of the transfer taxes will be billed directly to the tendering holder.

DESCRIPTION OF THE EXCHANGE BONDS

The Republic will issue the Exchange Bonds under a fiscal agency agreement, to be dated as of the date of issuance of the Exchange Bonds, between the Republic and JPMorgan Chase Bank as fiscal agent, principal payment agent and registrar.

This section of the prospectus is intended to be a summary of the material provisions of the fiscal agency agreement and the Exchange Bonds. This summary, however, does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the fiscal agency agreement and the terms of the Exchange Bonds. The definitions of certain capitalized terms used in this section are set forth under "—Defined Terms."

Overview

The Exchange Bonds will:

- mature at face value on February 21, 2012;
- be denominated in and payable in U.S. dollars;
- bear interest at the rate of 9⅛% per year;
- pay interest semi-annually in arrears in U.S. dollars on February 21 and August 21 of each year, commencing on February 21, 2003; with interest to be computed on the basis of a 360-day year comprised of twelve 30-day months;
- pay interest to persons in whose names the Exchange Bonds are registered at the close of business on the fifteenth calendar day preceding the corresponding payment date;
- not be redeemable prior to maturity;
- not be entitled to the benefit of any sinking fund;
- be represented by one or more global securities in fully registered form, without coupons, but may be available in definitive form only under certain limited circumstances;
- be registered in the name of a nominee of DTC and recorded on, and transferred through, the records maintained by DTC and its participants; and
- be issued in denominations of US$1,000 and integral multiples of US$1,000 in excess thereof.

Status

The Exchange Bonds will be direct, general, unconditional, unsubordinated and unsecured obligations of the Republic. The Exchange Bonds will rank *pari passu*, without any preference among themselves, with all other existing and future unsecured and unsubordinated obligations of the Republic relating to External Indebtedness.

Payments

Principal of and interest on the Exchange Bonds will be payable in U.S. dollars.

Principal of each Exchange Bond and interest payable on the maturity date will be payable in U.S. dollars in immediately available funds to the person in whose name such Exchange Bond is registered on the maturity date, upon presentation and surrender of the Exchange Bond at the corporate trust office of the fiscal agent or, subject to applicable laws and regulations, at the office of any paying agent, including J.P. Morgan Bank Luxembourg S.A.

Interest on each Exchange Bond, other than interest payable on the maturity date, will be payable to the person in whose name such Exchange Bond is registered at the close of business on the record date for the relevant payment date.

Because the Exchange Bonds will be represented by one or more global notes and beneficial interests in the Exchange Bonds may not be exchanged for bonds in physically certificated form, the Republic will make payments of principal and interest on the Exchange Bonds by directing the fiscal agent to make a wire transfer of U.S. dollars to DTC or its nominee as the registered owner of the Exchange Bonds, which will receive the funds for distribution to the beneficial owners. Upon receipt of any payment of principal of or interest on the Exchange Bonds, DTC will credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Exchange Bonds as shown on the records of DTC. Payments by DTC participants to owners of beneficial interests in the Exchange Bonds held through such participants will be the responsibility of such participants. Beneficial owners should contact the institution through which they intend to hold their beneficial interests in the Exchange Bonds to determine how payments of principal of or interest on the Exchange Bonds will be credited to their accounts.

None of the Republic, the fiscal agent or any paying agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Exchange Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

If the Republic does not pay interest by wire transfer for any reason, it will, subject to applicable laws and regulations, mail, or direct the fiscal agent to mail, a check to such holder on or before the due date for the payment at the address that appears on the security register maintained by the fiscal agent on the applicable record date.

The record date with respect to any payment date will be the 15th day prior to such date, to each such day we refer in this prospectus as a Record Date, whether or not such day is a business day.

Any payment of principal or interest required to be made on a payment date which is not a business day need not be made on such day, but may be made on the next succeeding business day with the same force and effect as if made on such payment date, and no interest shall accrue with respect to such payment for the period from and after such payment date.

The Republic agrees that so long as any of the Exchange Bonds are outstanding, it will maintain a paying agent and a transfer agent in a western European city for payments on and transfers of the Exchange Bonds, which will be Luxembourg so long as the Exchange Bonds are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, a registrar having a specified office in New York City and a paying agent having a specified office in New York City. The Republic has initially appointed J.P. Morgan Bank Luxembourg S.A. as paying agent and transfer agent for the Exchange Bonds and JPMorgan Chase Bank as registrar. Subject to the foregoing, the Republic shall have the right at any time to terminate any such appointment and to appoint any other paying agents or transfer agents in such other places as it may deem appropriate upon notice in accordance with "—Notices" below.

Pending payment of principal or interest on the Exchange Bonds that becomes due, the fiscal agent shall hold in trust, for the benefit of the beneficial owners of the Exchange Bonds, the amounts transferred by the Republic to the fiscal agent for such purpose. Any moneys held by the fiscal agent in respect of the Exchange Bonds and remaining unclaimed for two years after such amounts shall have become due and payable must be returned by the fiscal agent to the Republic, and the holders of such Exchange Bonds shall thereafter look only to the Republic for any payment to which such holders may be entitled. The Exchange Bonds will become void unless presented for payment within five years after their respective maturity dates, or such shorter period as shall be prescribed by applicable law.

Purchase of Exchange Bonds by the Republic

The Republic may at any time purchase or acquire any of the Exchange Bonds in any manner and at any price. Exchange Bonds which are purchased or acquired by the Republic may, at the Republic's discretion, be held, resold or surrendered to the fiscal agent for cancellation, but any Exchange Bond so purchased by the Republic may not be re-issued or resold except in compliance with the Securities Act and other applicable law.

Defined Terms

The following are certain definitions used in the Exchange Bonds:

"External Indebtedness" means obligations of, or guaranteed, whether by contract, statute or otherwise, by the Republic for borrowed money or evidenced by bonds, debentures, notes or similar instruments denominated or payable, or which, at the option of the holder thereof, may be payable, in a currency other than the currency of the Republic or by reference to a currency other than the currency of the Republic, other than any such obligations originally issued or incurred within the Republic.

"Public External Indebtedness" means, with respect to the Republic, any External Indebtedness that (i) is in the form of, or represented by, bonds, notes or other securities that are, or were intended at the time of issuance to be, quoted, listed or traded on any securities exchange or other securities market, including without limiting the generality of the foregoing, securities for resale pursuant to Rule 144A under the Securities Act, or any successor law or regulation of similar effect, and (ii) has an original maturity of more than one year or are combined with a commitment so that the original maturity of one year or less may be extended at the option of the Republic to a period in excess of one year.

"Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any project if the person or persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced.

"Security Interest" means any security interest, including without limitation any lien, pledge, mortgage, deed of trust or charge, or any encumbrance or preferential arrangement that has the practical effect of constituting a security interest.

Negative Pledge

The Republic undertakes that so long as any of the Exchange Bonds remain outstanding, it will not create or permit to subsist any Security Interest in the whole or any part of its present or future revenues or assets to secure Public External Indebtedness of the Republic, unless the Exchange Bonds are secured equally and ratably with such Public External Indebtedness; *provided*, *however*, that the Republic may create or permit to subsist:

- Security Interests created prior to February 7, 2002;
- Security Interests securing Public External Indebtedness incurred in connection with a Project Financing, provided that the Security Interest is solely in assets or revenues of the project for which the Project Financing was incurred;
- Security Interests securing Public External Indebtedness incurred or assumed by the Republic to finance or refinance the acquisition of the assets in which such Security Interests have been created or permitted to subsist and any Security Interests existing on such assets at the time of their acquisition;
- Security Interests securing Public External Indebtedness arising in the ordinary course to finance export, import or other trade transactions, and in which Public External Indebtedness matures, after giving effect to all renewals and refinancing thereof, not more than one year after the date on which such Public External Indebtedness was originally incurred;
- Security Interests securing Public External Indebtedness which, together with all other Public External Indebtedness secured by Security Interests, excluding Public External Indebtedness secured by other

permitted Security Interests, does not exceed US$25,000,000 principal amount, or its equivalent in other currencies, in the aggregate;

- Security Interests arising by operation of a currently existing law in connection with Public External Indebtedness, including without limitation any right of set-off with respect to demand or time deposits maintained with financial institutions and bankers' liens with respect to property held by financial institutions, in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor's activities;

- Security Interests created in connection with the transactions contemplated by the Republic's 1996 financing plan dated June 5, 1996, and its implementing documentation, including Security Interests to secure obligations under the collateralized bonds issued under the 1996 financing plan (the Republic's Fixed Rate Bonds due 2027, to which we refer in this prospectus as the Par Bonds, Floating Rate Bonds due 2027, to which we refer in this prospectus as the Discount Bonds, and the Front-Loaded Interest Reduction Bonds due 2027, to which we refer in this prospectus as the FLIRBs) and any Security Interest securing obligations of the Republic outstanding as of June 5, 1996, to the extent required to be equally and ratably secured with any such bonds;

- Security Interests issued upon surrender or cancellation of the Par Bonds, the Discount Bonds or the FLIRBs, or the principal amount of any Public External Indebtedness outstanding as of June 5, 1996, in each case, to the extent such Security Interest is created to secure Public External Indebtedness on a basis comparable to the Par Bonds, the Discount Bonds and the FLIRBs;

- Security Interests on shares of, or other assets of, any present or former Peruvian public sector entity created or granted by the Republic in connection with, or in anticipation of, the privatization of such entity; and

- any renewal or extension of any of the Security Interests stated above.

Default; Acceleration of Maturity

Each of the following events will constitute an "Event of Default" under the Exchange Bonds:

(1) *Non-Payment:*

- if the Republic fails to pay for 30 days principal on the Exchange Bonds when due; or

- if the Republic fails to pay for 30 days interest on the Exchange Bonds when due; or

(2) *Breach of Other Obligations*: if the Republic does not perform any other obligation under any Exchange Bond and such failure is incapable of remedy or is not remedied within 60 days after written notice has been given to the Republic by the fiscal agent; or

(3) *Cross Default*: if the Republic fails to make any payment in respect of:

- External Indebtedness outstanding as of February 21, 2002; and

- future Public External Indebtedness;

in an aggregate principal amount in excess of US$25,000,000, or its equivalent in any other currency, when due, and such failure continues beyond the applicable grace period; or

(4) *Cross Acceleration*: if any event or condition occurs that results in the acceleration of the maturity of:

- External Indebtedness outstanding as of February 21, 2002; and

- future Public External Indebtedness;

in an aggregate principal amount in excess of US$25,000,000, or its equivalent in any other currency; or

(5) *Moratorium*: if the Republic declares a general suspension on or moratorium with respect to the payment of principal of or interest on all or a portion of its External Indebtedness; or

(6) *Validity*:

- if the Republic contests the validity of, or its obligations under, any Exchange Bond or, to the extent adversely affecting the Exchange Bonds, the fiscal agency agreement; or

- if the Republic denies any of its obligations under any Exchange Bond or, to the extent adversely affecting the Exchange Bonds, the fiscal agency agreement; or

- if any constitutional provision, treaty, law, regulation, decree, or other official pronouncement of the Republic, or any final decision by any court in Peru having jurisdiction, renders it unlawful for the Republic to pay any amount due on the Exchange Bonds or to perform any of its obligations under any Exchange Bond or, to the extent adversely affecting the Exchange Bonds, the fiscal agency agreement; or

(7) *Judgments*: if any writ, execution, attachment or similar process is levied against all or any substantial part of the assets of the Republic in connection with any judgment for the payment of money exceeding US$25,000,000, or its equivalent in any other currency, and the Republic fails to satisfy or discharge such judgment, or adequately bond, contest in good faith or receive a stay or execution or continuance in respect of such judgment, within a period of 120 days; or

(8) *Membership in the IMF*: if Peru fails to maintain its membership in, and its eligibility to use the general resources of, the IMF.

Upon the occurrence and during the continuance of an Event of Default:

- in the case of any Event of Default described in clauses (2), (3), (4), (6), (7) or (8), the holders of at least 25% in aggregate principal amount of all Exchange Bonds, other than Exchange Bonds held by the Republic, then outstanding may by written demand given to the Republic, with a copy to the fiscal agent, declare the Exchange Bonds held by it to be immediately due and payable; or

- in the case of any Event of Default described in clauses (1) or (5), each holder of Exchange Bonds may by written demand given to the Republic, with a copy to the fiscal agent, declare the Exchange Bonds held by it to be immediately due and payable;

and upon such declaration the principal and interest accrued on such Exchange Bonds will become immediately due and payable upon the date that such written notices are received at the office of the fiscal agent, unless prior to such date all Events of Default in respect of all Exchange Bonds have been cured.

Bondholders holding in the aggregate at least 66 2/3% in principal amount of the then outstanding bonds may waive any existing defaults, and their consequences, on behalf of all bondholders, if:

- following the declaration of the bonds due and payable immediately, the Republic deposits with the fiscal agent a sum sufficient to pay all overdue installments of principal, interest and other amounts in respect of the Exchange Bonds, as well as the reasonable fees and compensation of the fiscal agent; and

- all other events of default have been remedied.

Transfer and Exchange

The Exchange Bonds may be presented for registration of transfer or exchange at the corporate trust office of the registrar, or at the office of any transfer agent referred to above, including the Luxembourg transfer agent, subject to the limitations set forth in the fiscal agency agreement. Upon due presentation for registration of transfer or exchange of any Exchange Bond, in whole or in part, the fiscal agent shall authenticate, in exchange for such Exchange Bond, Exchange Bonds of the appropriate form and denomination and of an equal principal amount, which will be made available to the respective holder at the office of the Luxembourg transfer agent. No service charge will be imposed upon the holder of an Exchange Bond in connection with exchanges for Exchange Bonds of a different denomination or for registration of transfers thereof, but the Republic may charge the party requesting any registration of transfer, exchange or registration of Exchange Bonds a sum sufficient to reimburse it for any stamp or other tax or other governmental charge required to be paid in connection with such transfer, exchange or registration. The Republic, the registrar and any other agent of the Republic may treat the person in whose name any Exchange Bond is registered as the owner of such Exchange Bond for all purposes.

Additional Amounts

The payment by the Republic of principal of or interest on the Exchange Bonds will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by the Republic, any political subdivision thereof or any taxing authority in the Republic. If the Republic is required by law to make any such withholding or deduction, it will pay such additional amounts, to which we refer in this prospectus as the Additional Amounts, as may be necessary in order to ensure that the net amounts receivable by the holders of Exchange Bonds after such withholding or deduction shall equal the amount that would have been receivable in respect of the Exchange Bonds in the absence of such withholding or deduction. The Republic will not, however, pay any Additional Amounts where the holder is subject to such withholding or deduction due to one of the following reasons:

- the holder has some connection with the Republic other than the mere holding of such Exchange Bond or the receipt of principal of or interest on any Exchange Bond;

- the holder has failed to comply with any reasonable certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Republic, or any political subdivision or taxing authority thereof or therein, of the holder of an Exchange Bond or any interest therein or rights in respect thereof, if compliance is required by the Republic, or any political subdivision or taxing authority thereof or therein, pursuant to applicable law or to any international treaty in effect, as a precondition to exemption from such deduction or withholding; or

- the holder has failed to present its Exchange Bond for payment within 30 days after the Republic first makes available a payment of principal or interest on such Exchange Bond.

Amendments and Waivers

The Republic and the fiscal agent may, with the consent of the holders of at least 66 2/3% in principal amount of the then outstanding Exchange Bonds, modify and amend the provisions of the Exchange Bonds or the fiscal agency agreement, including to grant waivers of future compliance or past default by the Republic. However, no such amendment or modification will apply, without the consent of each bondholder affected thereby, to the Exchange Bonds owned or held by such bondholder with respect to the following matters:

- change the stated maturity of the principal of or interest on the Exchange Bonds;

- reduce the principal amount of or interest on the Exchange Bonds;

- change the obligation of the Republic to pay additional amounts on account of withholding or deductions as set forth under "—Additional Amounts";

- change the currency of payment of principal or interest on the Exchange Bonds; and

- impair the right to institute suit for the enforcement of any payment in respect of the Exchange Bonds.

In addition, no such amendment or notification may, without the consent of each bondholder, reduce the percentage of principal amount of Exchange Bonds outstanding necessary to make these modifications or amendments to the Exchange Bonds or the fiscal agency agreement or to reduce the quorum requirements or the percentages of votes required for the adoption of any action at a bondholders meeting.

The Republic may also agree to amend any provision of any Exchange Bond with the holder thereof, but that amendment will not affect the rights of the other bondholders or the obligations of the Republic with respect to the other bondholders.

No consent of the bondholders is or will be required for any modification or amendment requested by the Republic or by the fiscal agent or with the consent of the Republic to:

- add to the Republic's covenants for the benefit of the bondholders;

- surrender any right or power of the Republic in respect of the Exchange Bonds or the fiscal agency agreement;

- provide security or collateral for the Exchange Bonds;

- cure any ambiguity in any provision, or correct any defective provision, of the Exchange Bonds; or

- change the terms and conditions of the Exchange Bonds or the fiscal agency agreement in any manner which the Republic and the fiscal agent mutually deem necessary or desirable so long as any such change does not, and will not, adversely affect the rights or interest of any bondholder.

The Republic may at any time ask for written consents or call a meeting of the bondholders to seek their approval of the modification of or amendment to, or obtain a waiver of, any provision of the Exchange Bonds. This meeting will be held at the time and place determined by the Republic and specified in a notice of such meeting furnished to the bondholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

If at any time the holders of at least 10% in principal amount for the then outstanding Exchange Bonds request the fiscal agent to call a meeting of the holders of Exchange Bonds for any purpose, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the fiscal agent will call the meeting for such purpose. This meeting will be held at the time and place determined by the fiscal agent, after consultation with the Republic, and specified in a notice of such meeting furnished to the bondholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

Holders who hold a majority in principal amount of the then outstanding Exchange Bonds will constitute a quorum at a bondholders' meeting. In the absence of a quorum, a meeting may be adjourned for a period of at least 20 days. At the reconvening of a meeting adjourned for lack of quorum, holders of 25% in principal amount of the then outstanding Exchange Bonds shall constitute a quorum. Notice of the reconvening of any meeting may be given only once, but must be given at least ten days and not more than 15 days prior to the meeting.

At any meeting when there is a quorum present, holders of a majority in principal amount of the Exchange Bonds represented and voting at the meeting may approve the modification or amendment of, or a waiver of compliance for, any provision of the bonds except for specified matters requiring the consent of each bondholder as set forth above. Modifications, amendments or waivers made at such a meeting will be binding on all current and future bondholders.

Jurisdiction, Consent to Service and Enforceability

The Republic is a foreign sovereign state. Consequently, it may be difficult for you to obtain or realize upon judgments of courts in the United States or elsewhere against the Republic. Furthermore, it may be difficult for you to enforce, in the United States or elsewhere, the judgments of U.S. or foreign courts against the Republic.

In connection with any suit, action or proceeding against the Republic or its properties, assets or revenues arising out of or relating to the fiscal agency agreement or the Exchange Bonds, to which we refer in this prospectus as a related proceeding, the Republic will agree:

- to submit to the exclusive jurisdiction of any New York State or U.S. federal court sitting in New York City, and any appellate court thereof;

- that all claims in respect of such related proceeding may be heard and determined in such New York State or U.S. federal court; that any judgment obtained in such New York State or U.S. federal court arising out of any related proceeding may be enforced or executed in any other court of competent jurisdiction whatsoever; and that any judgment obtained in any such other court as a result of such enforcement or execution may be enforced or executed in any such other court of competent jurisdiction, by means of a suit on the judgment or in any other manner provided by law; provided that in order to enforce or execute any such judgment ordering any payment by the Republic, Peruvian courts will require that such payment be included in the corresponding annual budget laws;

- to consent to and waive, to the fullest extent permitted by law, any objection which it may have to the laying of venue of any related proceeding brought in such New York State or U.S. federal court or to the laying of venue of any suit, action or proceeding brought solely for the purpose of enforcing or executing any related judgment in such New York State or U.S. federal court or any other courts;

- to waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any related proceeding or any such suit, action or proceeding in any such court; and

- to appoint CT Corporation System, presently located at 111 Eighth Avenue, 13th Floor, New York, New York, as its process agent and to maintain at all times an agent with offices in New York to act as its process agent.

The process agent will receive on behalf of the Republic and its property service of all writs, process and summonses in any related proceeding or any suit, action or proceeding to enforce or execute any related judgment brought against it in such New York State or U.S. federal courts sitting in New York City. Failure of the process agent to give any notice to the Republic of any such service of process shall not impair or affect the validity of such service or of any judgment based thereon. Nothing in the fiscal agency agreement shall in any way be deemed to limit the ability to serve any such writs, process or summonses in any other manner permitted by applicable law.

To the extent that the Republic or any of its revenues, assets or properties may be entitled to any sovereign or other immunity under any law, the Republic will agree not to claim and to waive such immunity to the fullest extent permitted by the laws of such jurisdiction. This waiver covers the Republic's sovereign immunity and immunity from prejudgment attachment, post-judgment attachment and attachment in aid, but does not extend to the attachment of revenues, assets and property of the Republic located in the Republic unless permitted under Peruvian law. Additionally, in accordance with Peruvian law currently in effect, the Republic's waiver of immunity will not extend to property that is:

- used by a diplomatic or consular mission of the Republic;

- of a military character and under the control of a military authority or defense agency of the Republic;

- public property; or

- shares of Peruvian public sector entities or shares of Peruvian private sector entities owned or controlled by the Republic or by a Peruvian public sector entity, or revenues collected from the sale of such shares, to the extent such shares or revenues are exempt by Peruvian law from attachment or execution.

The Republic, however, reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976, to which we refer in this prospectus as the Immunities Act, with respect to actions brought against it under U.S. federal securities laws or any state securities law. Without an effective waiver of immunity by the Republic with respect to such actions, it would be impossible to obtain a U.S. judgment in such an action against the Republic unless a court were to determine that the Republic is not entitled under the Immunities Act to sovereign immunity with respect to such action. In addition, execution upon property of the Republic located in the United States to enforce a judgment obtained the Immunities Act may not be possible except in the limited circumstances specified in the Immunities Act.

Even if a U.S. judgment could be obtained against the Republic in any such action, you may not be able to enforce in Peru a judgment based on such a U.S. judgment.

The Republic will also consent generally for the purposes of the State Immunity Act of 1978 of the United Kingdom to the giving of any relief or the issue of any process.

Governing Law

The fiscal agency agreement and the Exchange Bonds will be governed by and must be interpreted in accordance with the laws of the State of New York, except that all matters governing authorization and execution by the Republic will be governed by the laws of the Republic.

Notices

Notices will be mailed to holders of Exchange Bonds at their registered addresses and will be deemed to have been given on the date of such mailing. All notices to holders of the Exchange Bonds will be published if and so long as the Exchange Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require in a daily newspaper of general circulation in Luxembourg. If publication as aforesaid is not practicable, notice will be validly given if made in accordance with the rules of the Luxembourg Stock Exchange.

Further Issues

The Republic may from time to time without the consent of the holders of the Exchange Bonds create and issue additional Exchange Bonds having the same terms and conditions as the Exchange Bonds, except for issue date, issue price and amount of the first payment of interest. Additional Exchange Bonds issued in this manner may be consolidated and form a single series with the outstanding Exchange Bonds.

Book-Entry; Delivery and Form

The certificates representing the Exchange Bonds will be issued in the form of one or more global notes, to which we refer to in this prospectus as the global note. The global note will be deposited with or on behalf of DTC and registered in the name of DTC or its nominee. Except as set forth below, the global note may be transferred in whole and not in part and only to DTC or to other nominees of DTC.

Ownership of beneficial interest in the global note will be limited to "participants" who have accounts with DTC or persons who hold interests through participants. Ownership of beneficial interests in the global note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee with respect to interests of participants and the records of participants with respect to interests of persons other than participants.

The Republic understands that DTC is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for the physical movement of certificates. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies and certain other organizations that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

So long as DTC, or its nominee, is the registered owner or holder of the global note, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the Exchange Bonds represented by the global note for all purposes under the fiscal agency agreement and the Exchange Bonds. No beneficial owner of an interest in the global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the fiscal agency agreement and, if applicable, those of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, Luxembourg, *société anonyme* ("Clearstream, Luxembourg").

Payments of the principal of, and interest on, the global note will be made to DTC or its nominee, as the case may be, as the registered owner of the global note. Neither the Republic, the fiscal agent nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Republic expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of the global note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global note as shown on the records of DTC or its nominee. The Republic also expects that payments by participants to owners of beneficial interests in the global note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

The Republic expects that DTC will take any action permitted to be taken by a holder of Exchange Bonds, including the presentation of Exchange Bonds for exchange as described below, only at the direction of one or more participants to whose account the DTC interests in the global note is credited and only in respect of such portion of the aggregate principal amount of Exchange Bonds as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC will exchange the applicable global note for registered certificated notes, which it will distribute to its participants.

If DTC is at any time unwilling or unable to continue as a depositary for the global note and a successor depositary is not appointed by the Republic within 90 days, the Republic will issue registered certificated notes without interest coupons in exchange for the global note.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance, if any, with the transfer restrictions applicable to the Exchange Bonds, cross-market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary. However, any cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream Luxembourg, as the case may be, will, if the transaction meets its respective settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global note to DTC, and making or receiving payments in accordance with normal procedures for same-day fund settlement applicable to DTC. Euroclear accountholders and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg accountholder purchasing an interest in the global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream, Luxembourg accountholder, during the securities settlement processing day, which must be a business day for Euroclear and Clearstream, Luxembourg immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interest in the global note by or through a Euroclear or Clearstream, Luxembourg accountholder to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC's settlement date.

Although DTC, Euroclear and Clearstream, Luxembourg are expected to follow the foregoing procedures in order to facilitate transfers of interests in the global note among the participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. Neither the Republic nor the fiscal agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg, or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

TAXATION

[Peruvian and Luxembourg Tax review pending]

The following discussion summarizes certain U.S. federal income and estate and Peruvian tax considerations that may be relevant to you in connection with your participation in the exchange of Global Bonds for Exchange Bonds and your ownership of Exchange Bonds. This summary is based on laws, regulations, rulings and decisions now in effect in the United States and on laws and regulations in effect in Peru and may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules.

Overview

An exchange of Global Bonds for Exchange Bonds may be a taxable transaction under the laws applicable to you. You should consult your own tax advisor to determine your particular tax consequences in respect of the exchange of Global Bonds for Exchange Bonds or the purchase, ownership or disposition of Exchange Bonds.

[Peruvian Taxation

The following discussion summarizes certain Peruvian tax considerations that may be relevant to you if you are a Non-Peruvian Holder of Global Bonds and you offer those Global Bonds for exchange pursuant to the exchange offer and may also be relevant to you in connection with the holding and disposition of Exchange Bonds. For the purposes of this summary, a "Non-Peruvian Holder" is a holder of Global Bonds or Exchange Bonds who is an individual that is a non-resident of Peru or a legal entity that is neither incorporated nor maintains a permanent establishment in Peru.

This summary is based on the provisions of the Peruvian Income Tax Law and Value-Added Tax Law, as amended to the date hereof. It is neither intended to constitute a complete analysis of the Peruvian tax consequences of the exchange of Global Bonds for Exchange Bonds pursuant to the exchange offer or the receipt, ownership or disposition of Exchange Bonds that may be relevant to a Non-Peruvian Holder nor to discuss all of the Peruvian tax considerations for Non-Peruvian Holders subject to special tax rules.

This summary is not intended to describe any of the tax considerations that may be applicable to you if you are a resident of Peru.

Income Tax

If (a) you exchange Global Bonds for Exchange Bonds pursuant to the exchange offer and (b) you are a Non-Peruvian Holder, any profit derived from the receipt of Exchange Bonds will not result in any withholding or other Peruvian taxes. The exchange of Global Bonds for Exchange Bonds or the disposition of Exchange Bonds will not be subject to any stamp or other similar Peruvian taxes.

If you are a Non-Peruvian Holder, interest accrued on the Exchange Bonds and the Global Bonds is exempted from income tax until December 31, 2002. The current term of the exemption results from prior extensions of former limited terms. Draft legislation extending the term of the exemption until December 31, 2010 has been already proposed to the Peruvian Congress; nevertheless, there is no assurance that such legislation will be finally enacted. If the current exemption is not extended, interest accrued on the Exchange Bonds and the Global Bonds by Non-Peruvian Holders would be subject to a withholding income tax. Currently, the withholding income tax rate on interest paid abroad is 30%. Nevertheless, a 4.99% withholding income tax rate may apply if certain requirements are met.

Capital gains made in connection with the Exchange Bonds held by Non-Peruvian Holders are not subject to Peruvian taxation.

General Sales Tax

Interest paid on the Exchange Bonds is not subject to General Sales Tax.]

United States Federal Income and Estate Taxation

The following discussion summarizes certain U.S. federal income and estate tax considerations that may be relevant to you in connection with your participation in the exchange of Global Bonds for Exchange Bonds and your ownership of Exchange Bonds. This summary deals only with holders that hold Global Bonds or Exchange Bonds as capital assets and that acquire Exchange Bonds pursuant to an exchange of Global Bonds for Exchange Bonds. It does not address tax considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, tax-exempt organization, regulated investment company, life insurance company, dealer or trader in securities, currencies or commodities, trader in securities that makes a mark-to-market election with respect to the Exchange Bonds, a person that holds Global Bonds or will hold Exchange Bonds as a hedge against interest rate risk or as a position in a "straddle" or conversion transaction or other integrated investment or a person whose "functional currency" is not the U.S. dollar.

You should consult your own tax advisors in determining the tax treatment of the exchange of Global Bonds for Exchange Bonds and of the acquisition, ownership and sale of Exchange Bonds, including the relevance to your particular situation of the tax considerations discussed below and of any relevant state, local or other tax laws.

Except as discussed under "—Non-United States Holders" and "—Backup Withholding and Information Reporting," this discussion applies to United States Holders. You are a "United States Holder" if you are:

- an individual citizen or resident of the United States;
- a domestic corporation; or
- any other person that is subject to U.S. federal income tax on a net income basis in respect of the Global Bonds or the Exchange Bonds.

United States Holders

Exchange of Global Bonds for Exchange Bonds

Pursuant to the exchange offer, your exchange of Global Bonds for Exchange Bonds will not be a taxable event for U.S. federal income tax purposes because the Exchange Bonds should not be considered to differ materially in kind or extent from the Global Bonds. As a result, there should be no material U.S. federal income tax consequences upon your exchange of Global Bonds for Exchange Bonds. Your initial tax basis in the Exchange Bonds will be the same as your tax basis in your Global Bonds.

Taxation of Exchange Bonds

Interest on Exchange Bonds. Interest on Exchange Bonds will generally be subject to United States taxation. You will be subject to tax on such interest as ordinary income at the time it accrues or is received in accordance with your method of accounting for tax purposes.

Disposition of the Exchange Bonds. You will generally recognize gain or loss on the sale, exchange or other disposition of the Exchange Bonds in an amount equal to the difference between the amount you realize on such sale, exchange or other disposition, less any accrued interest, which will be taxable as ordinary interest income, and your adjusted basis in the Exchange Bonds. In general, your adjusted basis in Exchange Bonds will be equal to your initial basis increased to reflect accrued market discount previously included in income, if any, to the date of disposition.

Gain or loss recognized on a sale, exchange or other disposition of the Exchange Bonds will be capital gain or loss, except that any gain attributable to accrued market discount not previously included in income will be taxed as ordinary income. Such gain or loss will generally be long-term capital gain or loss if your holding period for the Exchange Bonds is more than one year.

Non-United States Holders

Subject to the discussion of backup withholding below, if you are, with respect to the United States, a foreign corporation or nonresident alien individual, which we refer to in this prospectus as a "Non-United States Holder", the interest income and gains that you derive in respect of the Exchange Bonds generally will be exempt from U.S. federal income taxes, including withholding tax. However, to receive this exemption you may be required to satisfy certain certification requirements, described below in "—Backup Withholding and Information Reporting," of the U.S. Internal Revenue Service to establish that you are a Non-United States holder.

Even if you are a Non-United States Holder, you may still be subject to U.S. federal income taxes on any interest income you derive in respect of the Exchange Bonds if such interest is effectively connected with the conduct of your trade or business within the United States.

If you are a Non-United States Holder, any gain you realize on a sale or exchange of the Exchange Bonds generally will be exempt from U.S. federal income tax, including withholding tax, unless:

- such gain is effectively connected with the conduct of your trade or business within the United States; or

- if you are an individual, you are present in the United States for a total of 183 days or more during the taxable year in which such gain is realized and either:

  - such gain is attributable to your office or fixed place of business maintained in the United States; or

  - you have a tax home in the United States.

An Exchange Bond held by an individual holder who at the time of death is a non-resident alien will not be subject to U.S. federal estate tax.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments in respect of the Exchange Bonds within the United States if you are not a corporation, and backup withholding will apply to such payments if you fail to provide an accurate taxpayer identification number or you are notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax return.

Backup withholding and information reporting will not apply to payments made within the United States by the Republic or any agent thereof, acting in such capacity, to you if you are a Non-United States Holder so long as either (i) if you are the beneficial owner, you certify to the Republic or its agent, under penalties of perjury, that you are a Non-United States Holder and provide your name and address or (ii) you have otherwise established an exemption, and provided that neither the Republic nor its agent has actual knowledge that you are not a Non-United States Holder or that the conditions of any exemption are not in fact satisfied.

Similar rules requiring information reporting and, in certain circumstances, backup withholding will apply with respect to sales of Exchange Bonds through certain brokers.

[Luxembourg Taxation

Capital gains realized by individual bondholders resident in Luxembourg on the sale, exchange or other disposition of Exchange Bonds in relation to the exchange offer are not subject to taxation on capital gains unless those Exchange Bonds are disposed of within six months following the acquisition thereof.

Interest payments realized by a resident holder upon maturity, sale, exchange, or other disposition of an Exchange Bond are subject to income tax at the common progressive tax rate.

The information contained herein is restricted to the taxation of income and capital gains realized by private persons holding Exchange Bonds in relation to the exchange offer. Net worth tax considerations, as well as aspects of inheritance tax and gift tax have not been taken under consideration as they are dependent on the personal situation of every single holder. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective investor. In any case, prospective investors should seek advice from a professional tax advisor as to the tax consequences of the exchange of Global Bonds pursuant to the exchange offer.]

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Bonds for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of these Exchange Bonds. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Bonds received in exchange for Global Bonds where those Exchange Bonds were acquired as a result of market-making activities or other trading activities. The Republic has agreed that, starting on the expiration date and ending on the close of business one year after the expiration date, it will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until _________, 2002, all dealers effecting transactions in the Exchange Bonds may be required to deliver a prospectus.

The Republic will not receive any proceeds from any sale of Exchange Bonds by broker-dealers. Exchange Bonds received by broker-dealers for their own accounts pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Bonds or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Bonds.

Any broker-dealer that resells Exchange Bonds that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such Exchange Bonds may be deemed to be an "underwriter" within the meaning of the Securities Act. Any profit on any such resale of Exchange Bonds and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of one year after the expiration date, the Republic will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests these documents in the letter of transmittal. The Republic has agreed to pay all expenses incident to the exchange offer, including the expenses of one counsel for the holder of the Global Bonds, other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Global Bonds, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

The Republic has agreed to pay all expenses incident to the exchange offer, including the expenses of one counsel for the holders of the Exchange Bonds, other than commissions or concessions of any brokers or dealers. The Republic will indemnify the holders of the Exchange Bonds, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

OFFICIAL STATEMENTS

Information included or incorporated by reference in this prospectus that is identified as being derived from a publication of the Republic or one of its agencies or instrumentalities is included or incorporated by reference in this prospectus on the authority of such publication as a public official document of the Republic. All other information included or incorporated by reference in this prospectus, other than that included in "Plan of Distribution," is included as a public official statement made on the authority of the Republic.

VALIDITY OF THE SECURITIES

The validity of the Exchange Bonds will be passed upon for the Republic by Cleary, Gottlieb, Steen & Hamilton, New York, New York, United States counsel to the Republic, and by [•], Lima, Peru, Peruvian counsel to the Republic. As to all matters of Peruvian law, Cleary, Gottlieb, Steen & Hamilton may rely on the opinion of [•]. As to all matters of United States law, [•] may rely on the opinion of Cleary, Gottlieb, Steen & Hamilton.

AUTHORIZED REPRESENTATIVE

The authorized representative of the Republic in the United States is [●] of [●], whose address is [●].

WHERE YOU CAN FIND MORE INFORMATION

The Republic has filed with the SEC a registration statement under the Securities Act covering the Exchange Bonds. This prospectus does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is not necessarily complete. If the Republic has filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

You may read and copy the registration statement, including its various exhibits, and any reports, statements or other information that the Republic has filed at the SEC's public reference room in Washington, D.C. You can request copies of these documents, upon payment of a duplicating fee, by writing the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms.

The information in this prospectus is accurate as of the date on the cover page. You should not assume that the information contained in this prospectus is accurate as of any other date.

ANNEX A
REPUBLIC OF PERU: GLOBAL PUBLIC SECTOR EXTERNAL DEBT
as of December 31, 2001
(in millions of U.S. dollars, at current prices)

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Germany	*HERMES Kreditversicherungs-AG*	EURO	Fixed	0.00	6.80	8,391	7
Paris Club	Germany	*HERMES Kreditversicherungs-AG*	EURO	Fixed	0.00	6.80	177	.5
Paris Club	Germany	*HERMES Kreditversicherungs-AG*	EURO	Fixed	0.00	6.75	9,631	14
Paris Club	Germany	*HERMES Kreditversicherungs-AG*	EURO	Fixed	0.00	6.75	31,221	14
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	600	2
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	951	2
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	494	2
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	590	4
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	679	5
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	3,337	5
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	11,829	5
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	5,635	8
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	8,490	7
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	25,205	14
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	11,880	14
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	1,698	7
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	1,693	8
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	339	8
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	2,253	10
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	5,434	12
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	3,170	14
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	4,913	14
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	1,426	14
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	951	14
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	5,094	15
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	15,774	11
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	1,925	17
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	4,528	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	10,900	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	7,212	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	41,468	10
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	220	.5
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	4,528	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	2,520	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.00	15,462	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	2,264	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	18,106	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	18,936	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	4,569	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	913	20

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.10	26,711	10
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	3.10	68,560	16
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	3,943	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	6,792	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	4,990	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	6,026	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	2,851	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	278	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	417	20
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	0.75	36	30
Paris Club	Germany	*Kreditanstalt für Wiederaufbau (KFW)*	EURO	Fixed	0.00	2.00	2,780	20
Paris Club	Austria	*Oesterreichische Kontrollbank*	EURO	Official Statutory rate of Austria for OS	0.60	Variable	340	.5
Paris Club	Austria	*Oesterreichische Kontrollbank*	EURO	Official Statutory rate of Austria for OS	0.60	Variable	11,486	7
Paris Club	Austria	*Oesterreichische Kontrollbank*	EURO	Official Statutory rate of Austria for OS	0.60	Variable	6,686	14
Paris Club	Austria	*Oesterreichische Kontrollbank*	EURO	Official Statutory rate of Austria for OS	0.60	Variable	46,237	14
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	329	3
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	220	4
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	329	.5
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	384	7
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	439	8
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	220	8
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	202	9
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	115	9
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	474	9
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	198	9
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	796	11
Paris Club	Belgium	Government of Belgium	EURO	Fixed	2.00	0.00	411	11
Paris Club	Belgium	Government of Belgium	EURO	0.00%	0.00	0.00	2,232	10
Paris Club	Belgium	Government of Belgium	EURO	0.00%	0.00	0.00	2,149	10
Paris Club	Belgium	Government of Belgium	EURO	0.00%	0.00	0.00	2,637	16
Paris Club	Belgium	*Office du Ducroire*	EURO	Fixed	0.00	7.75	21,950	7
Paris Club	Belgium	*Office du Ducroire*	EURO	Fixed	0.00	7.75	783	.5
Paris Club	Belgium	*Office du Ducroire*	EURO	Fixed	0.00	6.75	74	7
Paris Club	Belgium	*Office du Ducroire*	EURO	Fixed	0.00	6.75	3	.5
Paris Club	Belgium	*Office du Ducroire*	EURO	Bruxellas Interbank Offered Rate for FRB	0.50	Variable	13,502	14
Paris Club	Belgium	*Office du Ducroire*	EURO	Bruxellas Interbank Offered Rate for FRB	0.50	Variable	92,422	14
Paris Club	Belgium	*Office du Ducroire*	EURO	6-month Libor for DM	0.50	Variable	46	14
Paris Club	Belgium	*Office du Ducroire*	EURO	6-month Libor for DM	0.50	Variable	346	14
Paris Club	Canada	Export Development Corporation	CAN$	12-month prime rate for CAN$	0.50	Variable	13,737	7

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Canada	Export Development Corporation	CAN$	12-month prime rate for CAN$	0.50	Variable	398	.5
Paris Club	Canada	Export Development Corporation	US$	6-month Libor for US$	0.50	Variable	40,375	7
Paris Club	Canada	Export Development Corporation	US$	6-month Libor for US$	0.50	Variable	944	.5
Paris Club	Canada	Export Development Corporation	CAN$	6-month CDOR for CAN$	1.25	Variable	11,321	14
Paris Club	Canada	Export Development Corporation	CAN$	6-month CDOR for CAN$	1.25	Variable	55,509	14
Paris Club	Canada	Export Development Corporation	US$	6-month Libor for US$	0.50	Variable	42,219	14
Paris Club	Canada	Export Development Corporation	US$	6-month Libor for US$	0.50	Variable	224,160	14
Paris Club	Canada	The Canadian Wheat Board	US$	6-month Libor for US$	0.50	Variable	1,465	7
Paris Club	Canada	The Canadian Wheat Board	US$	6-month Libor for US$	0.50	Variable	22	.5
Paris Club	Canada	The Canadian Wheat Board	US$	6-month Libor for US$	0.50	Variable	1,481	14
Paris Club	Canada	The Canadian Wheat Board	US$	6-month Libor for US$	0.50	Variable	8,071	14
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.75	Variable	4,505	3
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.75	Variable	11,122	.5
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.75	Variable	1,351	5
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.75	Variable	602	.5
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.75	Variable	57	5
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	EURO	Fixed	0.00	9.50	99,558	7
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	EURO	Fixed	0.00	9.50	1,915	.5
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.50	Variable	29,505	7
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.50	Variable	654	.5
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	EURO	6-month Libor for PTAS.	0.50	Variable	79,064	14
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	EURO	6-month Libor for PTAS.	0.50	Variable	208,493	14
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.50	Variable	24,424	14
Paris Club	Spain	*Compañía Española de Seguros de Crédito a la Exportación (CESCE)*	US$	6-month Libor for US$	0.50	Variable	114,416	14
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	251	.5
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	177	2
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	270	2
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	667	2
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	156	2
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	1,217	6

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Spain	*Instituto de Crédito Oficial*	US$	Fixed	0.00	3.75	7,424	8
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	1,956	10
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	5.50	10	.5
Paris Club	Spain	*Instituto de Crédito Oficial*	US$	Fixed	0.00	3.00	1,712	10
Paris Club	Spain	*Instituto de Crédito Oficial*	US$	Fixed	0.00	3.00	6	.5
Paris Club	Spain	*Instituto de Crédito Oficial*	US$	Fixed	0.00	3.40	9,585	8
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	4.50	1,676	10
Paris Club	Spain	*Instituto de Crédito Oficial*	EURO	Fixed	0.00	4.50	2,678	17
Paris Club	Spain	*Instituto de Crédito Oficial*	US$	Fixed	0.00	3.00	270	10
Paris Club	Spain	*Instituto de Crédito Oficial*	US$	Fixed	0.00	3.00	2,300	17
Paris Club	Spain	*Instituto de Crédito Oficial*	US$	Fixed	0.00	1.00	13,166	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	0.75	19	.5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	0.75	987	3
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	0.75	220	3
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.00	216	3
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.00	1,641	4
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.00	649	3
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	0.75	255	3
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.00	787	4
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.50	328	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.50	106	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.50	1,815	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.50	287	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.50	504	6
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.50	117	6
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.50	509	8
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	2,430	11
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	2,478	11
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	2,141	3
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	4,568	4
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	1,514	3
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	3,665	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	3,728	6
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	2,760	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	1,761	6
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	5,956	5
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	4,755	6
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	3,770	6
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	3,864	7
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	20,419	7
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	5,519	8
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	3.00	32,484	7
Paris Club	United States	Agency for International Development	US$	Fixed	0.00	2.84	75	.5
Paris Club	United States	Comodit Credit Corporation	US$	Fixed	0.00	6.50	58,594	7
Paris Club	United States	Comodit Credit Corporation	US$	Fixed	0.00	6.50	1,586	.5
Paris Club	United States	Comodit Credit Corporation	US$	Fixed	0.00	7.125	59,522	14

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	United States	Comodit Credit Corporation	US$	Fixed	0.00	7.125	266,418	14
Paris Club	United States	U.S. Department of Defense	US$	Fixed	0.00	6.6905	2,297	7
Paris Club	United States	U.S. Department of Defense	US$	Fixed	0.00	6.5076	55	.5
Paris Club	United States	U.S. Department of Defense	US$	Fixed	0.00	6.825	2,107	14
Paris Club	United States	U.S. Department of Defense	US$	Fixed	0.00	5.375	9,268	14
Paris Club	United States	Export-Import Bank of the U.S.	US$	Short-term U.S. Treasury	0.50	Variable	13,606	7
Paris Club	United States	Export-Import Bank of the U.S.	US$	Short-term U.S. Treasury	0.50	Variable	361	.5
Paris Club	United States	Export-Import Bank of the U.S.	US$	Short-term U.S. Treasury	0.50	Variable	15,433	14
Paris Club	United States	Export-Import Bank of the U.S.	US$	Short-term U.S. Treasury	0.50	Variable	88,552	14
Paris Club	United States	Federal Home of N.Y.	US$	Fixed	0.00	8.35	5,835	5
Paris Club	United States	Housing Guarantee	US$	Fixed	0.00	6.188	57,440	7
Paris Club	United States	Housing Guarantee	US$	Fixed	0.00	6.133	611	.5
Paris Club	United States	Housing Guarantee	US$	Fixed	0.00	6.69	44,316	14
Paris Club	United States	Housing Guarantee	US$	Fixed	0.00	6.69	87,634	14
Paris Club	United States	Hutton and Co.	US$	Fixed	0.00	8.025	6,019	8
Paris Club	United States	Merryl Lynch	US$	13-week U.S. Treasury	1.14	Variable	500	.5
Paris Club	United States	Merryl Lynch	US$	Fixed	0.00	9.98	8,711	7
Paris Club	United States	Paine Webber	US$	26-week U.S. Treasury	0.35	Variable	9,628	12
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	3.00	568	1
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	3.00	1,807	2
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	3.00	2,714	3
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	950	1
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	3,403	2
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	7,165	8
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	10,585	9
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	9,268	10
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	10,223	11
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	5,674	12
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	5,700	12
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	6,150	13

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	13,160	14
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	3.26	19,050	10
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	3.26	19	.5
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	3.26	15,721	10
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	3.26	12,594	17
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	4.00	9,936	26
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	2.50	4,167	26
Paris Club	United States	Agency for International Development - PL 480	US$	Fixed	0.00	1.00	9,697	26
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	SFR	6-month Libor for SFrs	0.50	Variable	35	7
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	FR.SZ.	6-month Libor for SFrs.	0.50	Variable	1	.5
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	US$	6-month Libor for US$	0.50	Variable	2,756	7
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	US$	6-month Libor for US$	0.50	Variable	50	.5
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	FR.SZ.	6-month Libor for SFrs.	0.50	Variable	14	14
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	FR.SZ.	6-month Libor for SFrs.	0.50	Variable	201	14
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	US$	6-month Libor for US$	0.50	Variable	2,834	14
Paris Club	Finland	*Valtiontakuukeskus (Finnish Guarantee Board)*	US$	6-month Libor for US$	0.50	Variable	15,375	14
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	3.50	9,675	10
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	3.50	2,803	10
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	3.50	4	.5
Paris Club	France	*Banque de France*	US$	3-month Libor for US$	0.50	Variable	0	.5
Paris Club	France	*Banque de France*	US$	3-month Libor for US$	0.50	Variable	15	7
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	6.50	34,338	7
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	6.50	710	.5
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	3.50	5,847	10
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	3.50	3,405	10
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	3.50	27,274	17
Paris Club	France	*Banque de France*	US$	3-month Libor for US$	0.50	Variable	18	14
Paris Club	France	*Banque de France*	US$	3-month Libor for US$	0.50	Variable	98	14
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	6.85	28,013	14
Paris Club	France	*Banque de France*	EURO	Fixed	0.00	6.85	135,684	14

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	EURO	Fixed	0.00	6.50	174,698	7
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	EURO	Fixed	0.00	6.50	3,906	.5
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	US$	3-month Libor for US$	0.50	Variable	18	7
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	US$	3-month Libor for US$	0.50	Variable	0	.5
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	EURO	Fixed	0.00	6.85	117,865	14
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	EURO	Fixed	0.00	6.85	552,478	14
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	US$	3-month Libor for US$	0.50	Variable	21	14
Paris Club	France	*Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE)*	US$	3-month Libor for US$	0.50	Variable	117	14
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	1,644	4
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	1,451	9
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	754	8
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	619	8
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	522	9
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	715	9
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	229	9
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	702	11
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	602	11
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.50	253	9
Paris Club	France	French Treasury	EURO	Fixed	0.00	4.00	5,426	15
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.00	230	21
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.00	7,863	21
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.40	4,401	19
Paris Club	France	French Treasury	EURO	Fixed	0.00	3.40	3,857	17
Paris Club	Italy	*Mediocredito Centrale*	US$	Fixed	0.00	2.50	673	6
Paris Club	Italy	*Mediocredito Centrale*	US$	Fixed	0.00	1.50	3,099	6
Paris Club	Italy	*Mediocredito Centrale*	EURO	Fixed	0.00	1.50	2,078	8
Paris Club	Italy	*Mediocredito Centrale*	US$	Fixed	0.00	1.50	10,004	8
Paris Club	Italy	*Mediocredito Centrale*	US$	Fixed	0.00	1.50	26,106	7
Paris Club	Italy	*Mediocredito Centrale*	EURO	Fixed	0.00	1.50	21,889	7
Paris Club	Italy	*Mediocredito Centrale*	EURO	Fixed	0.00	1.50	2,579	7
Paris Club	Italy	*Mediocredito Centrale*	US$	Fixed	0.00	1.50	75,000	7
Paris Club	Italy	*Mediocredito Centrale*	EURO	Fixed	0.00	1.50	1,705	8
Paris Club	Italy	*Mediocredito Centrale*	EURO	Fixed	0.00	1.50	4,181	9
Paris Club	Italy	*Mediocredito Centrale*	EURO	Fixed	0.00	1.50	6,520	10
Paris Club	Italy	*Mediocredito Centrale*	EURO	Fixed	0.00	1.50	12,581	10
Paris Club	Italy	*Sezione Speciale per l'Assicurazone del Credito all'Esportazione (SACE)*	EURO	Fixed	0.00	7.90	49,053	7

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Italy	*Sezione Speciale per l'Assicurazone del Credito all'Esportazione (SACE)*	EURO	Fixed	0.00	7.90	1,228	.5
Paris Club	Italy	*Sezione Speciale per l'Assicurazone del Credito all'Esportazione (SACE)*	US$	Fixed	0.00	6.25	136,773	7
Paris Club	Italy	*Sezione Speciale per l'Assicurazone del Credito all'Esportazione (SACE)*	US$	Fixed	0.00	6.25	2,440	.5
Paris Club	Italy	*Sezione Speciale per l'Assicurazone del Credito all'Esportazione (SACE)*	EURO	Fixed	0.00	7.92	46,151	14
Paris Club	Italy	*Sezione Speciale per l'Assicurazone del Credito all'Esportazione (SACE)*	EURO	Fixed	0.00	7.92	133,909	14
Paris Club	Italy	*Sezione Speciale per l'Assicuraziones del Credito all'Esportazione (SACE)*	US$	Fixed	0.00	7.07	99,187	14
Paris Club	Italy	*Sezione Speciale per l'Assicurazone del Credito all'Esportazione (SACE)*	US$	Fixed	0.00	7.07	395,578	14
Paris Club	Japan	Government of Japan	¥	Fixed	0.00	3.00	7,875	1
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.50	886	1
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.25	1,889	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.25	2,773	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.25	2,369	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.00	406,373	20
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.00	96,774	20
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.10	11,929	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.10	40,638	10
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.10	253	.5
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	5.60	21,238	10
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	5.60	510	.5
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.90	2,806	7
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.90	42	.5
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.00	16,936	20
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.50	13,030	12
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.50	98,502	12
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.60	32,255	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.10	6,543	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.00	3,406	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.40	5,728	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.60	2,876	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.60	147	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.00	5,352	20
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.00	26,520	20
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.50	72,117	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.10	7,381	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.70	44,688	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.30	12,889	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.90	40,365	12
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.90	17,305	5
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.70	112,208	18

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.30	9,932	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.70	32,880	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.30	2,307	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.10	1,329	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.50	18,069	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.70	13,268	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.50	17,619	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.70	2,540	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.30	3,884	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.10	29,259	10
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.10	94,728	17
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	4.30	1,879	14
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	5.50	10,346	14
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	5.60	20,966	10
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	5.60	124,749	17
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.70	12,015	7
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.70	13,037	7
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	1.70	635	7
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	1.70	5,414	7
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	1.70	14,598	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	0.75	519	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	0.75	2,662	30
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	1.70	10,630	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.20	3,736	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	0.75	6,612	30
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.70	20,206	3
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	1.60	63,826	15
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	3.50	53,787	5
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.00	243,965	12
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	1.70	2,290	18
Paris Club	Japan	Japan Bank for International Cooperation	¥	Fixed	0.00	2.20	1,844	18
Paris Club	Japan	Japan NOC	¥	Fixed	0.00	4.90	25,517	7
Paris Club	Japan	Japan NOC	¥	Fixed	0.00	4.90	624	.5
Paris Club	Japan	Japan NOC	¥	Fixed	0.00	4.30	22,744	14
Paris Club	Japan	Japan NOC	¥	Fixed	0.00	5.50	145,427	14
Paris Club	Japan	Nippon Export and Investment Insurance	¥	Fixed	0.00	6.30	8,440	7
Paris Club	Japan	Nippon Export and Investment Insurance	¥	Fixed	0.00	6.30	182	6
Paris Club	Japan	Nippon Export and Investment Insurance	¥	Fixed	0.00	6.30	95	7
Paris Club	Japan	Nippon Export and Investment Insurance	¥	Fixed	0.00	6.30	2	.5
Paris Club	Japan	Nippon Export and Investment Insurance	¥	6-month Japan long-term prime rate for ¥	0.50	Variable	6,862	14
Paris Club	Japan	Nippon Export and Investment Insurance	¥	6-month Japan long-term prime rate for ¥	0.50	Variable	36,396	14
Paris Club	Japan	Nippon Export and Investment Insurance	¥	6-month Japan long-term prime rate for ¥	0.50	Variable	85	14

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Japan	Nippon Export and Investment Insurance	¥	6-month Japan long-term prime rate for ¥	0.50	Variable	458	14
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	NKR	Fixed	0.00	6.75	8,992	7
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	NKR	Fixed	0.00	6.75	253	.5
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	US$	6-month Libor for US$	0.50	Variable	12,799	7
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	US$	6-month Libor for US$	0.50	Variable	49	.5
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	NKR	Fixed	0.00	6.75	8,522	14
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	NKR	Fixed	0.00	6.75	26,073	14
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	US$	6-month Libor for US$	0.50	Variable	10,652	14
Paris Club	Norway	*Garanti-Instituttet for Eksportkreditt (GIEK)*	US$	6-month Libor for US$	0.50	Variable	15,283	14
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	7.40	13,485	7
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	7.40	285	.5
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	7.40	192	7
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	7.40	5	.5
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	6.95	11,454	14
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	5.00	40,179	14
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	6.95	180	14
Paris Club	Netherlands	*Nederlandsche Credietverzekening Maatschappj (NCM)*	EURO	Fixed	0.00	5.00	644	14
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	384	2
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	384	2
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	769	4
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	2,009	5
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	2,184	5
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	0.75	1,245	27

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	3,058	7
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	0.75	4,493	25
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	3,125	8
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	4,893	8
Paris Club	Netherlands	*Nederlanse Investiringsbank Voor Ontwikellingslanden (NIO)*	EURO	Fixed	0.00	2.50	4,194	16
Paris Club	Netherlands	Ocean Going Vessels[19]	EURO	Fixed	0.00	7.40	12,224	7
Paris Club	Netherlands	Ocean Going Vessels	EURO	Fixed	0.00	7.40	299	.5
Paris Club	Netherlands	Ocean Going Vessels	EURO	Fixed	0.00	6.95	11,462	14
Paris Club	Netherlands	Ocean Going Vessels	EURO	Fixed	0.00	6.95	40,899	14
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	34,547	7
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	917	.5
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	17	7
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	1	.5
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	US$	6 month Libor for US$	0.50	Variable	2,315	7
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	US$	6 month Libor for US$	0.50	Variable	62	.5
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	26,326	14
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	121,133	14
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	17	14
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	£	6 month Libor for £	0.50	Variable	79	14
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	US$	6 month Libor for US$	0.50	Variable	2,383	14
Paris Club	United Kingdom	Export Credits Guarantee Department (ECGD)	US$	6 month Libor for US$	0.50	Variable	13,235	14
Paris Club	South Africa	Industrial Development Corporation of South Africa Ltd.	US$	Fixed	0.00	5.00	4,615	7
Paris Club	South Africa	Industrial Development Corporation of South Africa Ltd.	US$	Fixed	0.00	5.00	85	.5

[19] Please Confirm

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Paris Club	South Africa	Industrial Development Corporation of South Africa Ltd.	US$	Fixed	0.00	5.00	3,291	14
Paris Club	South Africa	Industrial Development Corporation of South Africa Ltd.	US$	Fixed	0.00	5.00	22,320	14
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	SK	Stockholm Offered Rate for SK	0.50	Variable	4,797	7
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	CR.SC.	Stockholm Offered Rate for CR.SC.	0.50	Variable	406	.5
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	US$	6 month Libor for US$	0.50	Variable	9,491	7
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	US$	6 month Libor for US$	0.50	Variable	283	.5
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	CR.SC.	Stockholm Offered Rate for CR.SC.	0.50	Variable	8,261	14
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	CR.SC.	Stockholm Offered Rate for CR.SC.	0.50	Variable	45,405	14
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	US$	6 month Libor for US$	0.50	Variable	12,616	14
Paris Club	Sweden	The Swedish Export Credits Guarantee Board	US$	6 month Libor for US$	0.50	Variable	68,535	14
International Organization		*Banco Europeo de Inversiones*	US$	Fixed	0.00	6.73	30,367	14
International Organization		*Banco Europeo de Inversiones*	US$	Fixed	0.00	7.06	1,887	14
International Organization	5-CD-PE	Inter-American Development Bank (IDB)	CAN$	no interest	0.00	0.00	39	16
International Organization	368-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	195	2
International Organization	368-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	177	2
International Organization	367-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	52	2
International Organization	392-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	250	3
International Organization	392-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	7	3
International Organization	392-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	6	3
International Organization	392-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	323	3
International Organization	421-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,696	4
International Organization	421-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,609	4
International Organization	456-SF-RG	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	99	4

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	456-SF-RG	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	104	4
International Organization	456-SF-RG	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	19	4
International Organization	497-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	1,893	5
International Organization	497-SF-PE	Inter-American Development Bank (IDB)	CAN$	Fixed	0.00	2.00	575	5
International Organization	497-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,890	5
International Organization	497-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	48	5
International Organization	497-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	200	5
International Organization	497-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	306	5
International Organization	344-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	7.50	500	2
International Organization	344-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	7.50	232	2
International Organization	553-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	200	7
International Organization	553-SF-PE	Inter-American Development Bank (IDB)	CAN$	Fixed	0.00	2.00	62	7
International Organization	567-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	3,429	7
International Organization	567-SF-PE	Inter-American Development Bank (IDB)	CAN$	Fixed	0.00	2.00	400	7
International Organization	567-SF-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	2.00	476	7
International Organization	567-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	326	7
International Organization	567-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	518	7
International Organization	355-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	7.90	467	3
International Organization	589-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	685	8
International Organization	589-SF-PE	Inter-American Development Bank (IDB)	£	Fixed	0.00	2.00	90	8
International Organization	589-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,402	8
International Organization	602-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	6,849	8
International Organization	602-SF-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	2.00	1,744	8

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	602-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	4,714	8
International Organization	602-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	430	8
International Organization	602-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	633	8
International Organization	602-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	123	8
International Organization	363-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	7.90	630	3
International Organization	363-OC-PE	Inter-American Development Bank (IDB)	£	Fixed	0.00	7.90	48	3
International Organization	363-OC-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	7.90	11	3
International Organization	634-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,590	9
International Organization	634-SF-PE	Inter-American Development Bank (IDB)	£	Fixed	0.00	2.00	487	9
International Organization	634-SF-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	2.00	1,856	9
International Organization	634-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,897	9
International Organization	629-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	8,338	9
International Organization	629-SF-PE	Inter-American Development Bank (IDB)	CAN$	Fixed	0.00	2.00	346	9
International Organization	629-SF-PE	Inter-American Development Bank (IDB)	£	Fixed	0.00	2.00	1,463	9
International Organization	629-SF-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	2.00	380	9
International Organization	629-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	3,435	9
International Organization	629-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	483	9
International Organization	650-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	1,642	9
International Organization	400-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	9.25	538	4
International Organization	400-OC-PE	Inter-American Development Bank (IDB)	CAN$	Fixed	0.00	9.25	53	4
International Organization	652-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,961	9
International Organization	652-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	4,427	9
International Organization	652-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	502	9

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	404-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	9.25	1,399	4
International Organization	404-OC-PE	Inter-American Development Bank (IDB)	CAN$	Fixed	0.00	9.25	130	4
International Organization	404-OC-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	9.25	87	4
International Organization	404-OC-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	9.25	339	4
International Organization	411-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	9.25	7,566	5
International Organization	411-OC-PE	Inter-American Development Bank (IDB)	£	Fixed	0.00	9.25	249	5
International Organization	420-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	4.00	65	1
International Organization	686-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	702	11
International Organization	686-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	942	11
International Organization	686-SF-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	2.00	89	11
International Organization	428-OC-PE	Inter-American Development Bank (IDB)	UAV	Fixed	0.00	10.50	1,039	1
International Organization	697-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,707	11
International Organization	697-SF-PE	Inter-American Development Bank (IDB)	¥	Fixed	0.00	2.00	1,431	11
International Organization	697-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	358	11
International Organization	697-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	1,106	11
International Organization	706-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	3,250	11
International Organization	706-SF-PE	Inter-American Development Bank (IDB)	FR.SZ	Fixed	0.00	2.00	318	11
International Organization	706-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	1,039	11
International Organization	706-SF-PE	Inter-American Development Bank (IDB)	EURO	Fixed	0.00	2.00	491	11
International Organization	431-OC-PE	Inter-American Development Bank (IDB)	UAV	Fixed	0.00	10.50	746	1
International Organization	431-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	4.00	26	1
International Organization	423-OC-PE	Inter-American Development Bank (IDB)	UAV	Fixed	0.00	10.50	1,073	2
International Organization	689-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	986	12

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	720-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	2,661	12
International Organization	125-IC-PE	Inter-American Development Bank (IDB)	UAV	Fixed	0.00	8.0233	17,678	2
International Organization	445-OC-PE	Inter-American Development Bank (IDB)	UAV	Fixed	0.00	8.6741	2,933	2
International Organization	492-OC-PE	Inter-American Development Bank (IDB)	UAV	Fixed	0.00	7.8710	2,049	4
International Organization	240-IC-PE	Inter-American Development Bank (IDB)	US$	6-month Libor for US$	1.00	Variable	2,444	5
International Organization	517-OC-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	4.00	1,513	6
International Organization	238-IC-PE	Inter-American Development Bank (IDB)	UAV	Fixed	0.00	6.5028	10,937	5
International Organization	631-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	276,450	10
International Organization	665-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	3,280	10
International Organization	651-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	126,502	10
International Organization	677-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	136,123	11
International Organization	678-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	13,719	11
International Organization	678-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	1,477	11
International Organization	741-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	56,876	16
International Organization	806-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	68,535	17
International Organization	790-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	30,639	12
International Organization	836-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	228,840	12
International Organization	847-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	124,954	17
International Organization	820-OC-PE	Inter-American Development Bank (IDB)	UAV	Interest rate for IDB loans	0.00	Variable	982	13
International Organization	852-1-OC-PE	Inter-American Development Bank (IDB)	US$	6-month Libor for US$	0.00	Variable	56,583	3
International Organization	852-2-OC-PE	Inter-American Development Bank (IDB)	US$	6-month Libor for US$	0.00	Variable	9,654	13
International Organization	902-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.50	Variable	3,995	14
International Organization	901-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	82,379	19

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	958-SF-PE	Inter-American Development Bank (IDB)	US$	Fixed	0.00	2.00	25,000	23
International Organization	906-OC-PE	Inter-American Development Bank (IDB)	UAV	1990 Variable IBD exchange rate	0.00	Variable	19,617	14
International Organization	931-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.50	Variable	150,000	18
International Organization	944-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	750	2
International Organization	956-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	66,996	19
International Organization	985-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	76,138	15
International Organization	966-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	235,500	15
International Organization	1025-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	20,509	15
International Organization	1058-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	140,230	20
International Organization	1036-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	704	16
International Organization	1061-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	11,493	20
International Organization	1050-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	2,546	15
International Organization	1115-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.50	Variable	1,417	17
International Organization	1128-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	30,000	22
International Organization	1150-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	44,555	13
International Organization	1137-OC-PE	Inter-American Development Bank (IDB)	US$	6-month Libor for US$	0.00	Variable	115,251	15
International Organization	1144-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	12,901	20
International Organization	1196-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	2,013	16
International Organization	1235-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	200,000	15
International Organization	1236-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	3,090	16
International Organization	1237-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	1,306	22
International Organization	1321-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	250,000	15
International Organization	1329-OC-PE	Inter-American Development Bank (IDB)	US$	Interest rate for IDB loans	0.00	Variable	5,077	19

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	CFA-7	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.50	Variable	2,550	1
International Organization	CFA-43	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.50	Variable	15,000	1
International Organization	CFA-041	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.50	Variable	18,300	3
International Organization	CFA-46	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.50	Variable	33,250	3
International Organization	CFA-062	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.50	Variable	37,615	5
International Organization	CFA-75	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.45	Variable	9,771	4
International Organization	CFA-120	*Corporación Andina de Fomento*	US$	6-month Libor for US$	1.90	Variable	3,872	5
International Organization	CFA-128	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.50	Variable	16,150	9
International Organization	CFA-135	*Corporación Andina de Fomento*	US$	6-month Libor for US$	3.10	Variable	14,118	8
International Organization	CFA-1009	*Corporación Andina de Fomento*	US$	6-month Libor for US$	3.10	Variable	33,488	8
International Organization	CFA-0544	*Corporación Andina de Fomento*	US$	6-month Libor for US$	1.75	Variable	10,222	2
International Organization	CFA-1127	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.80	Variable	610	6
International Organization	CFA-1372	*Corporación Andina de Fomento*	US$	6-month Libor for US$	2.80	Variable	8,133	6
International Organization	CFA-1408	*Corporación Andina de Fomento*	US$	6-month Libor for US$	3.10	Variable	250,000	8
International Organization	CFA-1593	*Corporación Andina de Fomento*	US$	6-month Libor for US$	3.50	Variable	300,000	10
International Organization	CFA-1769	*Corporación Andina de Fomento*	US$	6-month Libor for US$	3.10	Variable	6,380	6
International Organization	CFA-1902	*Corporación Andina de Fomento*	US$	6-month Libor for US$	3.75	Variable	125,000	10
International Organization	3540-A-PE	World Bank	US$	Fixed	0.00	6.28	2,840	5
International Organization	3540-A-PE	World Bank	US$	Fixed	0.00	6.34	5,314	6
International Organization	3540-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	16,313	11
International Organization	3437-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	245,510	11
International Organization	3489-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	318,567	12
International Organization	3452-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	238,640	11

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	3595-A-PE	World Bank	US$	Fixed	0.00	6.41	91,667	5
International Organization	3595-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	115,494	11
International Organization	3610-A-PE	World Bank	US$	Fixed	0.00	7.11	574	5
International Organization	3610-A-PE	World Bank	US$	Fixed	0.00	5.92	95	6
International Organization	3610-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	7,689	12
International Organization	3684-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	76,011	12
International Organization	3717-A-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	68,456	12
International Organization	3717-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	59,682	12
International Organization	3701-A-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	20,818	12
International Organization	3701-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	8,392	12
International Organization	3810-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	79,072	13
International Organization	3811-A-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	104,653	13
International Organization	3811-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	17,401	13
International Organization	3962-O-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	79,406	11
International Organization	3826-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	6,874	10
International Organization	3826-A-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	98,264	10
International Organization	4068-S-PE	World Bank	S/POOL	Tasa Canasta Moneda Unica BIRF	0.50	Variable	17,216	12
International Organization	4068-A-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	106,497	12
International Organization	4076-O-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	48,615	8
International Organization	4134-O-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	76,164	9
International Organization	4133-O-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	183,000	12
International Organization	4130-O-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	41,189	11
International Organization	4250-O-PE	World Bank	US$	6-month Libor for US$	0.50	Variable	66,407	12

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
International Organization	4384-O-PE	World Bank	US$	6-month Libor for US$	0.01	Variable	21,022	7
International Organization	4497-O-PE	World Bank	US$	6-month Libor for US$	0.75	Variable	300,000	12
International Organization	4519-O-PE	World Bank	US$	6-month Libor for US$	0.75	Variable	2,559	4
International Organization	4536-O-PE	World Bank	US$	6-month Libor for US$	0.75	Variable	300	1
International Organization	4527-O-PE	World Bank	US$	6-month Libor for US$	0.75	Variable	270	1
International Organization	4615-O-PE	World Bank	US$	6-month Libor for US$	0.75	Variable	100,000	11
International Organization	4614-O-PE	World Bank	US$	6-month Libor for US$	0.75	Variable	500	1
International Organization	116-PE	International Fund For Agricultural Development	DEG	Fixed	0.00	4.00	2,243	1
International Organization	185-PE	International Fund For Agricultural Development	DEG	Fixed	0.00	4.00	2,290	4
International Organization	297-PE	International Fund For Agricultural Development	DEG	Fixed	0.00	4.00	10,240	10
International Organization	386-PE	International Fund For Agricultural Development	DEG	IFAD interest rate policy	0.00	Variable	6,629	10
International Organization	467-PE	International Fund For Agricultural Development	DEG	IFAD interest rate policy	0.00	Variable	1,775	1
International Organization	FMI	International Monetary Fund	DEG	IMF interest rate policy	0.00	Variable	184,733	5
International Organization	423-PE	The Opec Fund For International Development	US$	Fixed	0.00	4.00	611	2
International Organization	630-PE	The Opec Fund For International Development	US$	Fixed	0.00	3.75	4,167	10
International Organization	696-PE	The Opec Fund For International Development	US$	Fixed	0.00	4.00	2,803	11
International Organization	755-PE	The Opec Fund For International Development	US$	Fixed	0.00	4.00	4,000	11
Latin American Countries	Argentina	Government of Argentina	US$	Fixed	0.00	6.50	29	1
Latin American Countries	Argentina	Government of Argentina	US$	Fixed	0.00	6.50	1,702	4
Latin American Countries	Argentina	Government of Argentina	US$	Fixed	0.00	6.50	59	1
Latin American Countries	Argentina	Government of Argentina	US$	Fixed	0.00	6.50	575	1
Latin American Countries	Argentina	Government of Argentina	US$	Fixed	0.00	6.50	45	1
Latin American Countries	Brazil	*Centeral Bank of Brazil*	US$	6-month Libor for US$	0.00	Variable	2,273	1

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Latin American Countries	Brazil	*Centeral Bank of Brazil*	US$	6-month Libor for US$	0.00	Variable	6,642	2
Latin American Countries	Brazil	*Centeral Bank of Brazil*	US$	6-month Libor for US$	0.00	Variable	6,167	3
Latin American Countries	Brazil	*Centeral Bank of Brazil*	US$	6-month Libor for US$	0.00	Variable	5,411	4
Latin American Countries	Brazil	*Centeral Bank of Brazil*	US$	6-month Libor for US$	0.00	Variable	3,163	5
Latin American Countries	Brazil	*Banco Do Brasil S.A.*	US$	6-month Libor for US$	0.81	Variable	1,895	.5
Latin American Countries	Brazil	*Ciber Equipamientos Rodoviarios Ltda.*	US$	Fixed	0.00	6.875	3,760	5
Latin American Countries	Brazil	Government of Brazil	US$	Fixed	0.00	7.875	26,629	8
Latin American Countries	Brazil	Saturnia Baterias Ltda.	US$	6-month Libor for US$	1.75	Variable	765	2
Latin American Countries	Brazil	Svedala Faco Ltda.	US$	Fixed	0.00	6.780	1,666	5
Eastern Europe	China	Bank of China	US$	Fixed	0.00	7.54	7,032	3
Eastern Europe	China	Bank of China	US$	Fixed	0.00	7.68	13,364	6
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	419	5
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	246	5
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	1,376	5
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	414	5
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	3,631	5
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	1,322	5
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	2,400	6
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	468	5
Eastern Europe	China	Government of The People's Republic of China	US$	No Interest	0.00	0.00	5,670	9
Eastern Europe	China	Government of The People's Republic of China	£	No Interest	0.00	0.00	2,066	5
Eastern Europe	China	Government of The People's Republic of China	US$	No Interest	0.00	0.00	9,000	9
Suppliers	Israel	*Industrias Aeronauticas Israel Ltd.*	US$	6-month Libor for US$	1.50	Variable	735	.5
Suppliers	Italy	Armamenti e Aerospazio S.P.A.	US$	Fixed	0.00	5.0268275	33,970	16
Suppliers	Italy	Armamenti e Aerospazio S.P.A.	US$	Fixed	0.00	5.0268275	20,744	16
Suppliers	Italy	Bitelli S.A.	US$	Fixed	0.00	7.00	1,320	4

Type of Lender	Country	Lender	Currency	Type of Interest Rate	Spread (%)	Interest Rate (%)	Outstanding Amount as of December 31, 2001 (in millions of US$)	Years to Maturity
Suppliers	Italy	Bitelli S.A.	US$	Fixed	0.00	7.00	924	6
Suppliers	Japan	Japan Peru Oil Co.Ltd (JAPECO)	¥	Fixed	0.00	5.50	626,163	11
Suppliers	Japan	Japan Peru Oil CO.LTD (JAPECO)	¥	Fixed	0.00	4.90	64,443	11
Suppliers	Japan	Japan Peru Oil CO.LTD (JAPECO)	¥	Fixed	0.00	4.90	3,051	.5
Suppliers	Japan	Japan Peru Oil CO.LTD (JAPECO)	¥	Fixed	0.00	4.30	85,110	14
Suppliers	Panama	Cormed S.A.	US$	Fixed	0.00	7.00	1,679	5
Suppliers	Panama	Mobetek Representaciones S.A.-Sucursal Panama	US$	Fixed	0.00	7.00	3,958	3
Commercial Bank		*Banco Latinoamerico de Exportación S.A.*	US$	6-month Libor for US$	2.125	Variable	10,000	1
Commercial Bank		*Banco Latinoamerico de Exportación S.A.*	US$	6-month Libor for US$	2.00	Variable	6,000	1
Commercial Bank		First Union National Bank	US$	6-month Libor for US$	2.00	Variable	1,304	3
Commercial Bank		First Union National Bank	US$	Fixed	0.00	9.00	3,429	4
Bonds		Par Bonds	US$	Variable Rate	0.8125	Variable	1,624,495	12
Bonds		Par Bonds	US$	Variable Rate	0.00	Variable	181,152	1
Bonds		Discount Bonds	US$	6-month Libor for US$	0.8125	Variable	242,952	1
Bonds		PDI Bonds	US$	Variable Rate	0.8125	Variable	1,678,468	15

Acronyms:
ATS = Austrian schilling
BF = Belgian franc
CAN$ = Canadian dollar
DM = German mark
ECU = European Currency Unit
FR = French franc
ITL = Italian lira
NKR = Norwegian krone
NLG = Dutch guilder
PTAS = Spanish pesetas
SCP = Single currency pool (World Bank unit of account, based on a basket of national currencies)
SDR = IMF unit of account, based on a basket of national currencies
SFR = Swiss franc
SK = Swedish kroner
UAV = Inter-American Development Bank (IDB) unit of account
Source: Ministry of Economy (*Dirección General de Crédito Público* (Office of Public Credit)).

PART II

(Required by Items (11), (13) and (14) of Schedule B
of the Securities Act of 1933)

1. The following are the estimated expenses of the issuance and distribution of the securities being registered:

Registration fee	US$
Listing fees and expenses	
Printing and engraving expenses	
Rating agency fees	
Fiscal agent fees and expenses	
Legal fees and expenses	
Other	
Total	US$

2. The Registrant hereby agrees to furnish an opinion or opinions of counsel, with respect to the legality of the issue, in connection with the offering of the Exchange Bonds under this registration statement, and to furnish copies of the documents authorizing the issue of the Exchange Bonds under the registration statement, and any other governmental approvals of the Republic required in connection with this issue, in amendments to this registration statement, in each case together with translations of the same into the English language.

CONTENTS

This Registration Statement comprises:

1. The facing sheet.

2. The Cross Reference Sheet between Schedule B of the Securities Act of 1933 and the Prospectus.

3. Part I consisting of the Prospectus.

4. Part II consisting of pages II-1 to II-5.

5. The following exhibits:

   A. Form of Fiscal Agency Agreement, including form of Exchange Bond.

   B. Registration Rights Agreement, dated January 31, 2002, among the Republic of Peru, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc.

   C. Opinion of Chief Legal Counsel to the Ministry of Economy and Finance of the Republic of Peru, with respect to the legality of the securities.

   D. Opinion of Cleary, Gottlieb, Steen & Hamilton, special New York Counsel to the Republic of Peru, with respect to the legality of the securities.

   E. Consent of Chief Legal Counsel to the Ministry of Economy and Finance of the Republic of Peru (included in Exhibit C).

   F. Consent of Cleary, Gottlieb, Steen & Hamilton (included in Exhibit D).

EXHIBIT INDEX

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