

**No. 42903**

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**International Bank for Reconstruction and Development  
and  
Peru**

**Loan Agreement (Third Programmatic Decentralization and Competitiveness Development Policy Loan) between the Republic of Peru and the International Bank for Reconstruction and Development (with schedules, appendix and International Bank for Reconstruction and Development General Conditions for Loans, dated 1 July 2005). Washington, 8 December 2005**

**Entry into force:** *16 December 2005 by notification*

**Authentic texts:** *English*

**Registration with the Secretariat of the United Nations:** *International Bank for Reconstruction and Development, 10 July 2006*

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**Banque internationale pour la reconstruction et le développement  
et  
Pérou**

**Accord de prêt (Troisième prêt relatif à la politique de développement programmatique de la décentralisation et de la compétitivité) entre la République du Pérou et la Banque internationale pour la reconstruction et le développement (avec annexes, appendice et Conditions générales applicables aux prêts de la Banque internationale pour la reconstruction et le développement, en date du 1er juillet 2005). Washington, 8 décembre 2005**

**Entrée en vigueur :** *16 décembre 2005 par notification*

**Textes authentiques :** *anglais*

**Enregistrement auprès du Secrétariat des Nations Unies :** *Banque internationale pour la reconstruction et le développement, 10 juillet 2006*

[ ENGLISH TEXT – TEXTE ANGLAIS ]

**LOAN NUMBER 7345-PE**

## **LOAN AGREEMENT**

Agreement dated December 8, 2005, entered into between REPUBLIC OF PERU (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework. The Borrower and the Bank therefore hereby agree as follows:

### **ARTICLE I—GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II—LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and fifty million dollars (US\$150,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which the Commitment Charge commences to accrue in

accordance with the provisions of Section 3.01 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter; subject in either case to any waiver of a portion of such charge as may be determined by the Bank from time to time.

- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

- 2.09. Without limitation upon the provisions of Section 5.10 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.
- 2.10. The Borrower's Minister of Economy and Finance or the Borrower's Director of Public Indebtedness, and any person whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article II of the General Conditions.

### **ARTICLE III—PROGRAM**

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

### **ARTICLE IV—REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

- (b) The Borrower's Framework Law on Decentralization (*Ley de Bases de la Descentralización* No. 27783 published on July 20, 2002) and the Organic Law on Regional Governments (*Ley Orgánica de Gobiernos Regionales* No. 27867 published on November 18, 2002, as amended) shall have been amended, suspended, abrogated, repealed or waived, so as to affect negatively and adversely the objectives of the Program.
- (c) The Borrower's macroeconomic policy framework has become inconsistent with the objectives of the Program.
- (d) An action has been taken or a policy has been adopted to reverse any action or policy under the Program (including any action listed in Section I of Schedule 1 to this Agreement) in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

#### **ARTICLE V—EFFECTIVENESS**

5.01. The Effectiveness Deadline is the date ninety days after the date of this Agreement.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is the Borrower's Minister at the time responsible for Finance.

6.02. The Borrower's Address is:

Ministry of Economy and Finance  
Jr. Junín 319  
Lima, Peru  
Facsimile:

(511) 426-8500