

FINANCE

**Agreement Between the
UNITED STATES OF AMERICA
and PERU**

Signed at Washington March 9, 1993

Entered into force March 9, 1993

With Memorandum of Understanding



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966
(80 Stat. 271; 1 U.S.C. 113)—

“ . . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C.

SWAP AGREEMENT AMONG THE UNITED STATES
DEPARTMENT OF THE TREASURY, THE GOVERNMENT OF PERU,
AND THE CENTRAL BANK OF PERU

I. To provide the Republic of Peru with near-term support for its economic adjustment efforts, the United States Department of the Treasury (the "Treasury") and the Export-Import Bank of Japan ("JEXIM") are prepared to provide a short-term credit facility to the Banco Central de Reserva del Peru (the "Central Bank") and the Government of the Republic of Peru (the "Government") of nine hundred million United States dollars (U.S.\$900,000,000), the share of the Treasury being four hundred seventy million United States dollars (U.S.\$470,000,000).

II. The United States Treasury Exchange Stabilization Fund, with the Federal Reserve Bank of New York (the "FRBNY") acting as fiscal agent, hereby agrees to extend to the Central Bank and the Government a drawing facility in the amount of four hundred seventy million United States dollars (U.S.\$470,000,000) on a covered basis in the form of a Peruvian soles/United States dollars swap. This facility will be available for two separate drawings on six business days' notice (New York) to the FRBNY and to the Treasury prior to the requested value date of the first drawing. The amount of the first drawing under this agreement shall be four hundred thirty million United States dollars (U.S.\$430,000,000), and the amount of the second drawing shall be forty million United States dollars (U.S.\$40,000,000). The amounts drawn under this agreement, together with interest accrued thereon, shall be liquidated not later than March 31, 1993. This agreement is subject to, and incorporates by reference, the terms and conditions set forth in the Memorandum of Understanding of March 5, 1993 among the Treasury, the Government, the Central Bank, and the JEXIM (the "Memorandum").

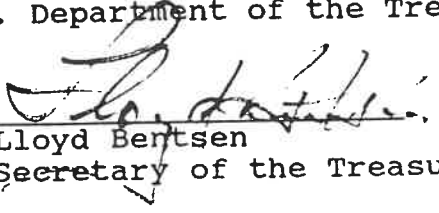
III. The drawings under this agreement will be used by the Government and the Central Bank in conjunction with foreign exchange operations to clear arrears with the international financial institutions specified in the Memorandum. The rate of exchange applied to each drawing under this agreement shall be applied to its liquidation. This rate shall be based upon the spot rate as agreed between the Central Bank and the FRBNY, acting as fiscal agent of the United States Treasury Exchange Stabilization Fund, at the time each drawing is made.

IV. Proceeds of each drawing under this agreement will be employed as follows:

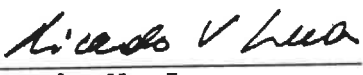
- A. Pursuant to paragraph 4(c) of the Memorandum, the proceeds of the first drawing under this agreement are to be credited by the FRBNY to the International Monetary Fund's (the "Fund") "No. 1 account" on the FRBNY's books for the clearance of the Central Bank's arrears to the Fund pursuant to the terms and conditions set forth in the Memorandum.
- B. Pursuant to paragraph 4(d) of the Memorandum, the proceeds of the second drawing under this agreement are to be credited by the FRBNY to the International Bank for Reconstruction and Development's (the "World Bank") "International Bank for Reconstruction and Development Account A General" (the World Bank Account") on the FRBNY's books for the clearance of the Government's arrears to the World Bank pursuant to the terms and conditions set forth in the Memorandum. Concurrently with the second drawing, funds will be transferred from the Central Bank's "Banco Central de Reserva del Peru Special Funds Account" at the FRBNY to the World Bank Account, pursuant to paragraph (6)(p) of the Memorandum. At that time, the Government will assume the obligation of the Central Bank to repay the first drawing and will incur an obligation to repay the second drawing.
- C. The Peruvian soles counterpart of each of the drawings by the Central Bank is to be credited to a special account in the name of "Federal Reserve Bank of New York as Fiscal Agent of the United States, Special Account No. 2" (the "Special Account") on the books of the Central Bank in accordance with instructions given to the Central Bank by authenticated telecommunication. The Peruvian soles in this account will earn interest at a rate based upon the average equivalent coupon-issue yield at the auction of the latest issue of three-month United States Treasury bills preceding the date of the drawing. The average yield, expressed in percent, will be stated in two decimal places, and, if such decimal is not a multiple of .05, it will be adjusted to the next higher multiple of .05. Interest will be calculated on the actual number of days in the year, i.e., 365 days. Such return shall be converted into United States dollars at the time of repayment on the amount being repaid, calculated at the rate of exchange described in paragraph III above. Such balance may be withdrawn by the Treasury on two business days' (Lima) notice.

V. The Government hereby unconditionally guarantees the full performance by the Central Bank of all obligations, duties, and liabilities of the Central Bank under this agreement.

U.S. Department of the Treasury

By: 
Lloyd Bentsen
Secretary of the Treasury

Government of
Peru

By: 
Ricardo V. Luna
Ambassador to the United
States of America

Banco Central de Reserva del
Peru

By: 
Manuel Estela Benavides
Manager

DATE: March 9, 1993

March 5, 1993

MEMORANDUM OF UNDERSTANDING

(1) The Facility

(a) This Memorandum of Understanding sets forth the mutual understandings of the Government of Peru (the "Government"), the Banco Central de Reserva del Peru (the "Central Bank"), the Export-Import Bank of Japan (the "JEXIM"), and the U.S. Department of the Treasury (the "Treasury") as to the provision of a short-term financing facility (the "Facility") in order to enable (i) the Central Bank to clear its arrears to the International Monetary Fund (the "Fund") and (ii) the Government to clear its arrears to the International Bank for Reconstruction and Development (the "World Bank"). JEXIM and the Treasury shall hereinafter be referred to individually as a "Cooperating Institution" and collectively as the "Cooperating Institutions." There will be two separate drawings (the "Drawings") under the Facility. The first drawing will be utilized to clear Central Bank arrears to the Fund (the "Fund Arrears"). This drawing is referred to as the "First Drawing." The second drawing will be utilized to clear Government arrears to the World Bank (the "World Bank Arrears.") This drawing is referred to as the

"Second Drawing." The Fund Arrears and the World Bank Arrears are collectively referred to as the "Arrears." The amount of the Fund Arrears and the World Bank Arrears, as of March 4, 1993, is set forth at Annex A.

(b) The Cooperating Institutions are providing the Facility through the Federal Reserve Bank of New York (the "FRBNY") in light of:

(i) U.S. dollar deposits by the Central Bank in an amount of \$10 million (such deposits being collectively referred to as the "Deposit"), deposited, three New York business days before the requested value date of the First Drawing, in an account in the name of "Banco Central de Reserva del Peru Clearing Account" (hereinafter referred to as the "Clearing Account") especially established by the Central Bank at the FRBNY for the clearing of the Arrears, which Deposit, when added to the Drawings under the Facility, is expected to be sufficient (A) to enable the Central Bank and the Government to clear the Arrears and (B) to meet the obligation of the Central Bank and the Government to pay any interest with respect to the Drawings. Until required to be transferred in accordance with this Memorandum of Understanding, the Deposit may be invested in accordance with the FRBNY's standard investment procedures, at the request of the Central Bank, in repurchase agreement arrangements at the FRBNY. Such investments, plus interest

earned thereon, shall be deemed to be part of the Deposit;

(ii) the commitments (A) by the Central Bank to provide, through the Clearing Account, any amounts in addition to the Deposit necessary to clear the Fund Arrears, and (B) by the Government to provide, through the Clearing Account, any amounts in addition to the Deposit necessary to clear the World Bank Arrears or meet the obligation of the Government to pay any amounts owed under the Facility, including accrued interest;

(iii) the expected approval by the Executive Board of the Fund, on the same New York business day as the date of the Central Bank's clearance of the Fund Arrears, of an arrangement under the Extended Fund Facility (the "EFF") to permit the Central Bank to make the first purchase under the EFF of up to SDR 642.7 million, which is expected to be made on the same New York business day as the day of Executive Board approval of the EFF, composed of an amount equivalent to the value of the Fund Arrears (approximately SDR 621 million) (the "Fund Purchase") plus a separate amount of approximately SDR 21.7 million;

(iv) expected disbursements from the World Bank in an aggregate amount between U.S.\$900 million and U.S.\$1.05 billion under:

(A) the Trade Policy Reform Loan (3437-PE), signed on December 22, 1992, in an aggregate amount equivalent to

U.S.\$300 million expected to be disbursed on the same New York business day as the date of the Government's clearance of its World Bank Arrears (the "TPRL Disbursement");

(B) the Structural Adjustment Loan (3452-PE), signed on December 22, 1992, in an aggregate amount of up to the equivalent of U.S.\$450 million to be disbursed on the same New York business day as the date of the Government's clearance of its World Bank Arrears (the "SAL Disbursement"). The exact amount of the SAL Disbursement (between the equivalent of U.S.\$300 million and the equivalent of U.S.\$450 million) will be determined by the World Bank on a New York business day (the "World Bank Calculation Date"), which is four New York business days prior to the requested value date of the First Drawing pursuant to paragraph (5) below. This amount will be at least the equivalent of U.S.\$300 million, but in the event that the World Bank Arrears exceed the amount equivalent to U.S.\$900 million, this amount will be calculated, using exchange rates in effect on the World Bank Calculation Date, as the amount equivalent to the difference (the "Difference") between (i) the amount of World Bank Arrears and (ii) the sum of the TPRL Disbursement and the FSAL Disbursement [U.S.\$600 million], defined in subparagraph (1)(b)(iv)(C) below; and

(C) the Financial Sector Adjustment Loan (3489-PE) (the "FSAL"), signed on December 22, 1992, in an aggregate amount equivalent to U.S.\$400 million. The first tranche disbursement of the FSAL in an aggregate amount equivalent to U.S.\$300 million

(the "FSAL Disbursement") is expected to be disbursed on the same New York business day as the date of the Government's clearance of its World Bank Arrears. The TPRL Disbursement, the SAL Disbursement, and the FSAL Disbursement are collectively referred to as the "World Bank Disbursements"; and

(v) the agreement (A) by the Central Bank to apply the proceeds of the Fund Purchase to fulfill its repayment obligations under the Facility, (B) by the Government to apply the World Bank Disbursements in repayment of its obligations under the Facility, and (C) by the Central Bank and the Government in any event to repay their respective outstanding obligations under the Facility in full not later than March 31, 1993.

(2) The Separate Agreements

To implement this Memorandum of Understanding, each Cooperating Institution shall enter into a separate agreement with the Government and/or the Central Bank (individually a "Separate Agreement", collectively the "Separate Agreements"). The terms and conditions of each Separate Agreement shall be consistent with the provisions of this Memorandum of Understanding. In case of a conflict, this Memorandum of Understanding shall govern the respective rights and obligations of the parties thereto.

(3) Commitments of the Cooperating Institutions

The commitments of each Cooperating Institution to the Facility (individually a "Commitment," collectively, the "Commitments") are as follows:

JEXIM Commitment	U.S.\$430 million
Treasury First Drawing Commitment	U.S.\$430 million
Treasury Second Drawing Commitment	U.S.\$ 40 million
TOTAL	U.S.\$900 million

(4) Funding of the Drawings on the Facility

(a) The Drawings shall be funded from the Commitments subject to the provisions of paragraphs (5) and (6) below. The First Drawing shall be requested by the Central Bank acting in its individual capacity. The Second Drawing shall be requested by the Central Bank acting as fiscal agent for the Government.

(b) To permit the Drawings requested by the Central Bank pursuant to paragraph (5) to be effected, JEXIM and the Treasury shall, preferably not later than two New York business days prior to the requested value date of the First Drawing, in an authenticated telecommunication received by and in a form acceptable to the FRBNY, irrevocably authorize and instruct the

FRBNY to debit respectively the Export-Import Bank of Japan (the "JEXIM Account") at the FRBNY and Treasury Special Account No. 2 at the FRBNY in the respective amounts of the JEXIM Commitment and the Treasury First Drawing Commitment on the requested value date of the First Drawing. At the same time, Treasury shall irrevocably authorize and instruct the FRBNY to debit Treasury Special Account No. 2 in the amount of the Treasury Second Drawing Commitment on the value date of the Second Drawing as defined in paragraph (4)(d) below. Treasury commits to maintain, in the Treasury Special Account No. 2, an amount sufficient to fund the Treasury Second Drawing Commitment.

(c) On the requested value date for the First Drawing, the FRBNY will transfer the amounts of the JEXIM Commitment, the Deposit and any additional funds in the Clearing Account, and the Treasury First Drawing Commitment to the Fund's "No. 1" account (the "Fund Account") on the FRBNY's books if and only if the FRBNY has received the authorizations and instructions described in paragraph (4)(b) above from each Cooperating Institution, and each Cooperating Institution has sufficient funds in its account to fund its respective share of the First Drawing, and, in the case of Treasury, there are sufficient funds in its account to fund its Second Drawing Commitment.

(d) The date on which the Fund Purchase is transferred in accordance with paragraph (6)(h) to the Special Funds Account

(defined in paragraph (6)(h)) shall be the value date for the Second Drawing. On that date, the FRBNY will

(i) transfer, as set forth in paragraph (6)(p), from the Special Funds Account to the "International Bank for Reconstruction and Development Account A General" (the "World Bank Account") on the FRBNY's books (A) the proceeds of the Fund Purchase and (B) any remaining funds received from the Fund pursuant to paragraph (6)(k)(iii), and

(ii) to the extent funds are available, debit Treasury Special Account No. 2 at the FRBNY in the amount of the Treasury Second Drawing Commitment and transfer that amount to the World Bank Account.

(5) Notice for the Drawings under the Facility

The Central Bank may request, by giving six New York business days' prior notice by authenticated telecommunications to the FRBNY, JEXIM and the Treasury, in a form acceptable to each of the recipients, the First Drawing in the amount of U.S.\$860 million for a value date, which is a New York business day not later than March 24, 1993. Such request shall also constitute a request by the Central Bank, acting as fiscal agent for the Government, that the Second Drawing be made for a value date which is the date of the transfer of the proceeds of the Fund Purchase to the Special Funds Account in accordance with paragraph (6)(p).

(6) Crediting of the Drawings and Conditions Precedent

Each Cooperating Institution shall give the authorizations and instructions referred to in paragraph (4)(b) above when each determines, after consultation with the FRBNY, that the following conditions have been met:

(a) Four New York business days before the requested value date of the First Drawing, each Cooperating Institution has notified the FRBNY, by authenticated telecommunication, either (A) that Peru has paid the fees required by that Cooperating Institution for its participation in the Facility or (B) that it will charge no fees;

(b) JEXIM has notified the FRBNY and Treasury by authenticated telecommunications that all conditions precedent under the Separate Agreement among JEXIM, the Central Bank, and the Government have been satisfied;

(c) Three New York business days before the requested value date of the First Drawing, the Fund has notified the FRBNY, by authenticated telecommunication, and the Cooperating Institutions of the amounts of the Fund Arrears and of the Fund Purchase, to be paid on the requested value date of the First Drawing both in SDRs and in U.S. dollars calculated on the date of the notification;

(d) Four New York business days before the requested value date of the First Drawing, the World Bank has notified the FRBNY, by authenticated telecommunication, and the Cooperating Institutions of the amount of the U.S. dollar equivalent of the World Bank Arrears, as well as the amount of the World Bank Disbursements in U.S. dollars, to be applied on the value date of the Second Drawing, such amounts being calculated on the date of the notification;

(e) After the notifications in subparagraphs (6)(c) and (6)(d) have been received, and by noon New York time two New York business days before the requested value date of the First Drawing, the Deposit and any funds in addition to the Deposit necessary to clear the Fund Arrears, the World Bank Arrears, and pay the Government's obligations under the Facility have been credited to the Clearing Account;

(f) Two New York business days before the requested value date of the First Drawing, the FRBNY has notified the Cooperating Institutions by authenticated telecommunication (i) of receipt of the Deposit and (ii) of the amount in the Clearing Account;

(g) The FRBNY shall have received a copy of letters from the Fund to each of the Cooperating Institutions, in the form set forth in Schedule A, concerning the right of the Central Bank to

make the Fund Purchase;

(h) The FRBNY shall have received a copy of the irrevocable instructions of the Central Bank to the Fund, in the form set forth in Schedule B, to deposit the proceeds of the Fund Purchase in U.S. dollars into the special account established by the Central Bank at the FRBNY in the name of "Banco Central de Reserva del Peru Special Funds Account" (the "Special Funds Account");

(i) The FRBNY shall have received a copy of letters from the World Bank to each of the Cooperating Institutions, in the form set forth in Schedule C, concerning the eligibility of the Government to receive the World Bank Disbursements;

(j) The FRBNY shall have received a copy of (i) the irrevocable instructions of the Government to the World Bank, in the form set forth in Schedule D, to deposit the World Bank Disbursements (the TPRL Disbursement, the SAL Disbursement, and the FSAL Disbursement being transferred concurrently) in U.S. dollars into the special account established by the Treasury at the FRBNY for distribution of funds received in repayment of the Facility in the name of "U.S. Department of the Treasury Interim Account" (the "Treasury Interim Account"), and (ii) a letter from the World Bank acknowledging such instructions, in the form set forth in Schedule E;

(k) The Fund shall have confirmed to the FRBNY, by authenticated telecommunication, and to the Cooperating Institutions that the Central Bank has irrevocably instructed the Fund, and the Fund has acknowledged receipt of the instructions: (i) to apply the proceeds of the First Drawing and funds from the Clearing Account in payment of the Fund Arrears, (ii) to confirm to the Cooperating Institutions payment of the Fund Arrears, and (iii) to transfer to the FRBNY, for credit to the Special Funds Account, an amount equivalent to the difference between (x) the total amount received from the First Drawing and the Clearing Account and (y) the amount of the Fund Arrears, remaining after payment in full of the Fund Arrears, concurrent with deposit of the proceeds of the Fund Purchase in the Special Funds Account in accordance with paragraph (6)(h) above;

(l) The World Bank shall have confirmed to the FRBNY, by authenticated telecommunication, and to the Cooperating Institutions that the Government has irrevocably instructed the World Bank, and the World Bank has acknowledged receipt of the instructions: (i) to apply the proceeds of funds from the Special Funds Account and the Treasury Second Drawing Commitment for payment of the World Bank Arrears, (ii) to confirm to the Cooperating Institutions payment of the World Bank Arrears, and (iii) to transfer to the FRBNY for credit to the Treasury Interim Account, concurrent with the transfer of the TPRL Disbursement, the SAL Disbursement, and the FSAL Disbursement, an amount

equivalent to the difference between (x) the total amount received from the Special Funds Account and the Treasury Second Drawing Commitment and (y) the amount of the World Bank Arrears, remaining after payment in full of the World Bank Arrears.

(m) The FRBNY shall have received a copy of a letter from the Government to the Central Bank, in the form set forth in Schedule F, which (i) states that the Government will take all actions necessary to facilitate the Central Bank's performance under this Memorandum of Understanding and the Separate Agreements, including providing, through the Clearing Account, any amounts in addition to the Deposit necessary to satisfy the obligations of the Central Bank under this Facility, and (ii) warrants that the Government will take all actions necessary to apply for the World Bank Disbursements;

(n) The FRBNY shall have received a copy of a letter from the Central Bank to the Government, in the form set forth in Schedule G, which states that the Central Bank will (i) provide, through the Clearing Account, any amounts in addition to the Deposit necessary to clear the Fund Arrears, and (ii) take all actions necessary to apply for the Fund Purchase;

(o) The Central Bank shall have irrevocably authorized and instructed the FRBNY, by authenticated telecommunication, in a form acceptable to the FRBNY, (i) to open the Clearing Account,

(ii) to disclose to either of the Cooperating Institutions upon its request the balance in the Clearing Account, and (iii) to transfer and credit the Deposit, and any additional funds deposited in the Clearing Account, to the Fund Account contemporaneously with the First Drawing; and

(p) The Central Bank shall have irrevocably instructed the FRBNY, by authenticated telecommunication in a form acceptable to the FRBNY, (i) to open the Special Funds Account and (ii) upon receipt, as soon as practicable, to transfer (x) the proceeds of the Fund Purchase, and (y) any amounts in excess of the Fund Purchase received into the Special Funds Account from the Fund in accordance with paragraph (6)(k)(iii) above, to the World Bank Account, which transfer to the World Bank Account does not represent any obligation by the Central Bank to pay the World Bank Arrears, but shall have the effect of (x) releasing the Central Bank from its repayment obligation to the Cooperating Institutions under the Facility and (y) assumption by the Government of the Central Bank's repayment obligation to the Cooperating Institutions under the Facility and the commencement of the Government's own obligation to pay all additional amounts due under the Facility.

(7) Repayment Schedule

(a) In accordance with the procedures set forth in paragraph (8)

(the "Repayment Procedures"), the FRBNY shall debit the Treasury Interim Account and distribute funds received in repayment of the Facility, including accrued and unpaid interest on the amounts being repaid, on each date on which funds are deposited into the Treasury Interim Account.

(b) Prior to any distribution of repayments under this paragraph, the Central Bank shall provide the FRBNY, in a form acceptable to the FRBNY, with a schedule of interest payments attributable to the First Drawing and the Second Drawing due on the date of each such repayment to each of the Cooperating Institutions pursuant to the Separate Agreements.

(8) Repayment Procedures

(a) Treasury irrevocably authorizes and instructs the FRBNY to debit the balance in the Treasury Interim Account toward repayment of the Drawings and any accrued interest in accordance with this Memorandum of Understanding.

(b) All repayments of the Drawings from the Treasury Interim Account, including accrued and unpaid interest on the amounts being repaid, shall be made on the repayment dates specified in paragraph (7)(a), and in accordance with the procedures set forth in this paragraph (the "Repayment Procedures"). At the same time as each

repayment of principal is made by the FRBNY, accrued and unpaid interest on the amount of principal repaid shall be paid at the rates specified in the respective Separate Agreements. Repayment shall be made (i) first of principal pari passu in proportion to the JEXIM Commitment and the Treasury First Drawing Commitment, plus interest accrued on such amounts, and (ii) second of principal on the Treasury Second Drawing Commitment, plus interest accrued on such amount.

(c) If the Facility, including accrued interest, has not been repaid in full on the Maturity Date, Treasury irrevocably authorizes and instructs the FRBNY to continue to debit the Treasury Interim Account as additional funds are received until the Facility, including accrued interest, has been repaid in full in accordance with the Repayment Procedures.

(d) After the Facility, including accrued interest, has been repaid in full, the Facility shall automatically terminate. Thereupon, the FRBNY shall transfer any balance remaining in the Special Funds Account or the Treasury Interim Account to the Central Bank's general account on the books of the FRBNY, and close the Special Funds Account, the Treasury Interim Account, and the Clearing Account.

(e) In the event that either JEXIM or the Treasury receives a repayment or satisfaction of a claim arising under a Separate

Agreement, which exceeds the amount it should have received at such time in accordance with the Repayment Procedures, the excess amount shall be transferred by it to the FRBNY for deposit in the Treasury Interim Account for distribution in accordance with the Repayment Procedures.

(9) Instructions

The appropriate Peruvian authorities shall give the irrevocable instructions referred to in paragraph (6) above, which instructions shall remain in effect until the FRBNY notifies the Central Bank, by authenticated telecommunication, that the Facility has been repaid in full, including accrued interest.

(10) Warranties

The Government and the Central Bank warrant that they have full power and authority to enter into and perform their obligations under this Memorandum of Understanding and the Separate Agreements and have taken all necessary corporate or other actions to authorize the performance of the terms and conditions thereof.

(11) Role of the FRBNY

In carrying out its functions, the FRBNY shall have the authority

to interpret and act under the irrevocable authorizations and instructions received by it hereunder and any notifications or other communications that the parties hereto shall send or transmit to the FRBNY, in such manner as the FRBNY, in its sole judgment, deems reasonable. No compensation shall be due from the Central Bank or the Government for services rendered by the FRBNY under the authorizations and instructions in this Memorandum of Understanding and the Separate Agreements. In carrying out its functions under this Memorandum of Understanding and the Separate Agreements, the FRBNY shall be liable only for its failure to exercise reasonable care.

(12) Amendment

This Memorandum of Understanding may be amended by the consent in writing, including consent by authenticated telecommunication, of all the parties hereto. No amendment, waiver, or consent shall affect the rights and duties of the FRBNY under this Memorandum of Understanding unless agreed to in writing by the FRBNY.

(13) Entry into Effect

(a) By transmitting separately authenticated telecommunications to the FRBNY containing the word "Pachacutec" and its name, each of the Cooperating Institutions (i) indicates

its consent to the terms of this Memorandum of Understanding and (ii) confirms that its Separate Agreement with the Government and/or the Central Bank has been executed. By transmitting "Pachacutec," Treasury shall also irrevocably authorize and instruct the FRBNY to establish the Treasury Interim Account and to credit and debit this account in accordance with this Memorandum of Understanding.

(b) By transmitting an authenticated telecommunication to the FRBNY containing the word "Tupac" and its name, the Central Bank (i) indicates its and the Government's consent to the terms of this Memorandum of Understanding, (ii) confirms that both Separate Agreements with the Cooperating Institutions have been executed, and (iii) irrevocably authorizes and instructs the FRBNY to establish the Clearing Account and the Special Funds Account and to credit and debit these accounts, all in accordance with this Memorandum of Understanding.

(c) This Memorandum of Understanding and both of the Separate Agreements shall take effect when the FRBNY advises the Cooperating Institutions and the Central Bank by authenticated telecommunication that it has received all of the notices required by subparagraphs (a) and (b) of this paragraph. No message shall be effective to alter the terms of such notices.

ANNEX A

Amount of Arrears in U.S. Dollars as of March 4, 1993

IMF	U.S.\$857,658,816.98
World Bank	U.S.\$885,820,194.22

SCHEDULE A

The Honorable Lloyd Bentsen
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

JEXIM

Dear Sir:

I wish to inform you that the staff has reached understandings with the Minister of Economy and Finance of Peru and the President of the Central Reserve Bank of Peru on an economic and financial program for 1993-1995, as described in the Peruvian authorities' Memorandum of Economic and Financial Policies. The Peruvian authorities are requesting on behalf of Peru that the Fund approve an extended arrangement in support of the objectives and policies stated in the Memorandum. It is intended that this request would be submitted to the Executive Board for its consideration, with the recommendation of the Managing Director, on the same day as the clearance of overdue financial obligations to the Fund. Upon approval by the Executive Board of the requested extended arrangement on that day, an initial disbursement of at least the equivalent of SDR 642.6 million is expected to take place on the same business day.

Given the objectives and policies for 1993-1995 as set forth in the Peruvian authorities' Memorandum, the Managing Director is prepared to recommend that the Executive Board approve the requested arrangement from the Fund after the termination by the Executive Board of the declaration of ineligibility of Peru to use the Fund's general resources, which is expected to take place promptly following the settlement by Peru of its overdue financial obligations to the Fund.

Sincerely,

Richard Erb

SCHEDULE B

FORM OF INSTRUCTIONS TO THE
INTERNATIONAL MONETARY FUND

March ____, 1993

The Treasurer's Department
International Monetary Fund
Washington, D.C. 20431

Re: Extended Arrangement for Peru

Dear Sirs:

The Government of Peru hereby authorizes and instructs the International Monetary Fund (the "Fund") to arrange on Peru's behalf that the proceeds of that portion of the first purchase made by Peru under the Extended Arrangement corresponding to the encashment of rights be either provided in, or converted into, U.S. dollars, and deposited into an account at the Federal Reserve Bank of New York (the "FRBNY") in the name of "Banco Central de Reserva del Peru Special Funds Account (the "Special Funds Account").

For your information, the Banco Central de Reserva del Peru (the "Central Bank") has separately given the FRBNY an irrevocable instruction that all of the funds deposited in the Special Funds Account will be used to fulfill the obligation to repay a drawing made by the Central Bank under a short-term credit facility (the "Facility") that the U.S. Department of the Treasury (the "Treasury") and the Export-Import Bank of Japan ("JEXIM") have agreed to establish for the purpose of providing short-term support in order to allow Peru to clear its arrears to the Fund. The aggregate amount of the drawing on Treasury and JEXIM by the Central Bank may amount to as much as U.S. dollars \$860 million. Peru and the Central Bank have committed to the Treasury and the JEXIM that the instructions to the Fund shall not be revoked or modified by Peru, the Central Bank, or any other Peruvian institution until the Facility is repaid in full, including accrued and unpaid interest, and the Fund has received from the Central Bank a copy of a notification from the FRBNY to the Central Bank to that effect.

Peru and the Central Bank have agreed to provide any confirmations of such instructions contained herein as are required by the Fund at the time any duly authenticated request

for a purchase under the Extended Arrangement referred to herein is submitted to the Fund.

Peru and the Central Bank acknowledge that your action on this request and authorization will be taken in conformity with the relevant provisions of the Extended Arrangement or any other Fund facility or arrangement made available to Peru, and confirms that such action shall not be construed in any way as a waiver of any right which the Fund may have under the Extended Arrangement or under any other Fund facility or arrangement made available to Peru.

The Central Bank is providing a copy of the executed original of this letter to the FRBNY.

Sincerely yours,

For the Government of Peru,

By _____
Jorge Camet Dickman
Minister of Economy and Finance

For the Banco Central de Reserva del Peru,

By _____
German Suarez Chavez
President

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

SCHEDULE C
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

March 5, 1993

The Honorable Lloyd Bentsen
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Sir:

I am writing to confirm that the loan agreements for the Trade Policy Reform Loan (Loan Number 3437-PE), the Structural Adjustment Loan (Loan Number 3452-PE), and the Financial Sector Adjustment Loan (Loan Number 3489-PE) (the "Loans") from the International Bank for Reconstruction and Development (the "World Bank") to the Republic of Peru ("Peru") in an aggregate amount of U.S. \$1,150 million equivalent were signed on December 22, 1992. All conditions precedent to effectiveness of the Loans have been met, except for the receipt by the World Bank of all overdue debt service payments from Peru. It is intended that the Trade Policy Reform Loan, the Structural Adjustment Loan and the first tranche of the Financial Sector Adjustment Loan will be disbursed on the same day as the receipt of such payments.

Peru has informed the World Bank that the World Bank shall receive withdrawal applications not later than four business days before Peru's arrears to the World Bank are cleared, in an aggregate amount at least equivalent to U.S. \$900 million, so as to enable Peru to withdraw under the proposed Loans at least such amount on or before March 24, 1993. Peru's expectation appears to be reasonable subject to the submission in a timely manner of all documentation required by the loan agreements relating to the proposed Loans for withdrawal of such proceeds.

The statements contained in this letter are not to be construed as a waiver of any rights which the World Bank may have under the loan agreements relating to the proposed Loans or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

Sincerely,

Rainer B. Steckhan
Director
Country Department I
Latin America and the Caribbean Region

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

SCHEDULE C
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

March 5, 1993

Mitsuhide Yamaguchi
Governor
The Export-Import Bank of Japan
4-1 Ohtemachi 1-chome, Chiyoda-ku
Tokyo 100, Japan

Dear Sir:

I am writing to confirm that the loan agreements for the Trade Policy Reform Loan (Loan Number 3437-PE), the Structural Adjustment Loan (Loan Number 3452-PE), and the Financial Sector Adjustment Loan (Loan Number 3489-PE) (the "Loans") from the International Bank for Reconstruction and Development (the "World Bank") to the Republic of Peru ("Peru") in an aggregate amount of U.S. \$1,150 million equivalent were signed on December 22, 1992. All conditions precedent to effectiveness of the Loans have been met, except for the receipt by the World Bank of all overdue debt service payments from Peru. It is intended that the Trade Policy Reform Loan, the Structural Adjustment Loan and the first tranche of the Financial Sector Adjustment Loan will be disbursed on the same day as the receipt of such payments.

Peru has informed the World Bank that the World Bank shall receive withdrawal applications not later than four business days before Peru's arrears to the World Bank are cleared, in an aggregate amount at least equivalent to U.S. \$900 million, so as to enable Peru to withdraw under the proposed Loans at least such amount on or before March 24, 1993. Peru's expectation appears to be reasonable subject to the submission in a timely manner of all documentation required by the loan agreements relating to the proposed Loans for withdrawal of such proceeds.

The statements contained in this letter are not to be construed as a waiver of any rights which the World Bank may have under the loan agreements relating to the proposed Loans or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

Sincerely,

Rainer B. Steckhan
Director
Country Department I
Latin America and the Caribbean Region

REPUBLIC OF PERU

March , 1993

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Attn: Mr. Rainer B. Steckhan
Director, Country Department I
Latin America and the Caribbean Region

Re: Loan Disbursements

Dear Sir:

We refer to the Loan Agreements for the Trade Policy Reform Loan (Loan No. 3437-PE), the Structural Adjustment Loan (Loan No. 3452-PE), and the Financial Sector Adjustment Loan (Loan No. 3489-PE) (the "Loans"), all dated December 22, 1992 between the International Bank for Reconstruction and Development (the "World Bank") and the Republic of Peru (the "Government"). We hereby instruct the World Bank to deposit concurrently in three transfers into the U.S. Department of the Treasury Interim Account (the "Treasury Interim Account") at the Federal Reserve Bank of New York (the "FRBNY") all of the proceeds of withdrawals under the Trade Policy Reform Loan and the Structural Adjustment Loan and all of the first tranche proceeds of withdrawals under the Financial Sector Adjustment Loan, if and when we become entitled to any such withdrawals under the terms and conditions of the Loans, subject to the following:

- (a) This instruction is applicable to the withdrawal applications under the Loans until receipt by the World Bank of the notification referred to in paragraph (c) below.
- (b) Deposits in the Treasury Interim Account shall be made in United States dollars. For this purpose, the World Bank is hereby instructed to use the proceeds of any such withdrawals under the Loans to purchase United States dollars under such terms and conditions as the World Bank shall determine.
- (c) The Government and the Banco Central de Reserva del Perú (the "Central Bank") have agreed with the U.S. Department of the Treasury and the Export-Import Bank of Japan that this instruction, which has as its objective putting in place administrative arrangements to provide for the fulfillment of the obligations of the Government and the Central Bank under an agreement with the U.S. Department of the Treasury and the Export-Import Bank of Japan shall be irrevocable until the World Bank receives from the Central Bank a copy of a notification from the FRBNY to the Central Bank to the effect that the instruction to make deposits to the Treasury Interim Account may be terminated.

We are not aware of any third party claims upon the proceeds of the Loans to be deposited in the Treasury Interim Account.

We acknowledge that your action on this instruction will be taken in conformity with the relevant provisions of the loan agreements for the Loans, and

such action shall not be construed in any way as a waiver of any right which the World Bank may have under such agreements or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

We are providing copies of our letter to you and your reply to the FRBNY, the Export-Import Bank of Japan, and the U.S. Department of the Treasury.

Sincerely,

Jorge Camet Dickman
Minister of Economy
and Finance

Germán Suárez Chávez
President
Banco Central de Reserva
del Perú

copies to:

Export-Import Bank of Japan
U.S. Department of the Treasury
FRBNY

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

SCHEDULE E
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

March __, 1993

The Honorable Jorge Camet Dickman
Minister of Economy and Finance
Republic of Peru

The Honorable German Suarez Chavez
President
Banco Central de Reserva del Peru

Dear Sirs:

(1) This letter acknowledges receipt of the instruction, which is in the form set out in the Attachment, from the Republic of Peru (the "Government") and Banco Central de Reserva del Peru (the "Central Bank") to pay the proceeds of withdrawals that are made to the Government under the Trade Policy Reform Loan (Loan No. 3437-PE), the Structural Adjustment Loan (Loan No. 3452-PE, and the Financial Sector Adjustment Loan (Loan No. 3489-PE) (the "Loans") from the International Bank for Reconstruction and Development (the "World Bank") in three concurrent transfers to the U.S. Department of the Treasury Interim Account (the "Treasury Interim Account") established for this purpose at the Federal Reserve Bank of New York (the "FRBNY").

(2) We hereby confirm that the World Bank will carry out the disbursement instruction referred to in paragraph (1), subject to prior receipt of all necessary documentation and evidence under the Loans that withdrawal requirements have been fully complied with. In this connection, we have been informed that the Government and the Central Bank have agreed with the U.S. Department of the Treasury and the Export-Import Bank of Japan that the foregoing authorization and instruction shall be irrevocable until the World Bank receives from the Central Bank a copy of a notification from the FRBNY to the Central Bank to the effect that the authorization and instruction to make deposits to the Treasury Interim Account may be terminated.

(3) Our action on this instruction will be taken in conformity with the relevant provisions of the loan agreements for the Loans and shall not be construed in any way as a waiver of any right which the World Bank may have under such loan agreements or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

(4) The World Bank is not aware of any third party claims by suppliers or contractors upon the proceeds of the Loans that are to be deposited in the Special Funds Account.

Sincerely,

Rainer B. Steckhan
Director
Country Department 1
Latin America and the Caribbean Region

cc: The Honorable Lloyd Bentsen
Secretary of the Treasury
Department of the Treasury

Mitsuhide Yamaguchi
Governor
The Export-Import Bank of Japan

SCHEDULE F

Lima, March _____, 1993

The Honorable German Suarez Chavez
President
Banco Central de Reserva del Peru

Dear Sir:

We refer to (a) the Memorandum of Understanding, dated March _____, 1993, (the "MOU") among the Government of Peru (the "Government"), the Banco Central de Reserva del Peru (the "Central Bank"), the Export-Import Bank of Japan ("JEXIM"), and the U.S. Department of the Treasury (the "Treasury") (b) the Separate Agreement among the Government, the Central Bank, and the JEXIM (the "Separate Agreement") and (c) the Swap Agreement among the Government, the Central Bank, and the Treasury (the "Swap Agreement"), under which JEXIM and the Treasury have agreed to provide short-term financing in order to enable the Central Bank to clear its arrears to the International Monetary Fund (the "Fund") and the Government to clear its arrears to the International Bank for Reconstruction and Development (the "World Bank"). Pursuant to paragraph 6(m) of the MOU, we hereby warrant that the Government has agreed to take all actions and to provide any other support, including depositing additional funds to the Central Bank's Clearing Account at the Federal Reserve Bank of New York necessary to satisfy the Government's and the Central Bank's obligations under the Facility, and to pay any other amounts due under the Facility, in order to facilitate the Central Bank's and the Government's performance under the MOU, the Separate Agreement, and the Swap Agreement. We also hereby warrant that the Government will take all actions necessary on its part to apply for all purchases or disbursements for which it is eligible under the World Bank's Trade Policy Reform Loan, the Structural Adjustment Loan, and the Financial Sector Adjustment Loan.

Sincerely,

Jorge Camet Dickman

SCHEDULE G

Lima, March _____, 1993

The Honorable Jorge Camet Dickman
Minister of Economy and Finance

Dear Sir:

We refer to (a) the Memorandum of Understanding, dated March _____, 1993, (the "MOU") among the Government of Peru (the "Government"), the Banco Central de Reserva del Peru (the "Central Bank"), the Export-Import Bank of Japan ("JEXIM"), and the U.S. Department of the Treasury (the "Treasury") (b) the Separate Agreement among the Government, the Central Bank, and the JEXIM (the "Separate Agreement") and (c) the Swap Agreement among the Government, the Central Bank, and the Treasury (the "Swap Agreement"), under which JEXIM and the Treasury have agreed to provide short-term financing in order to enable the Central Bank to clear its arrears to the International Monetary Fund (the "Fund") and the Government to clear its arrears to the International Bank for Reconstruction and Development (the "World Bank"). Pursuant to paragraph 6(n) of the MOU, we hereby warrant that the Central Bank has agreed to take all actions and to provide any other support, including depositing additional funds to the Central Bank's Clearing Account at the Federal Reserve Bank of New York necessary to satisfy the Central Bank's obligations under the Facility, in order to facilitate the Central Bank's and the Government's performance under the MOU, the Separate Agreement, and the Swap Agreement. We also hereby warrant that the Central Bank will take all actions necessary on its part to apply for all purchases for which it is eligible under the Extended Fund Facility of the Fund.

Sincerely,

German Suarez Chavez