

No. 2085

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
PARAGUAY**

**Loan Agreement — *Agricultural Project* — (with annexed  
Loan Regulations No. 3). Signed at Washington, on  
7 December 1951**

**Letter-Agreement concerning conditions under which the  
Bank was prepared to make the Loan Agreement  
effective. Washington, 5 September 1952**

*Official texts: English.*

*Registered by the International Bank for Reconstruction and Development on  
9 February 1953.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
PARAGUAY**

**Contrat d'emprunt — *Projet relatif à l'agriculture* — (avec,  
en annexe, le Règlement n° 3 sur les emprunts). Signé  
à Washington, le 7 décembre 1951**

**Accord par lettre relatif aux conditions auxquelles la Banque  
est disposée à mettre en vigueur le Contrat d'emprunt.  
Washington, 5 septembre 1952**

*Textes officiels anglais.*

*Enregistrés par la Banque internationale pour la reconstruction et le développement  
le 9 février 1953.*

No. 2085. LOAN AGREEMENT<sup>1</sup> (*AGRICULTURAL PROJECT*) BETWEEN THE REPUBLIC OF PARAGUAY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 7 DECEMBER 1951

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AGREEMENT, dated December 7, 1951, between REPUBLIC OF PARAGUAY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*Article I*

SPECIAL DEFINITIONS

*Section 1.01.* Except when the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule hereto :

(1) The term "Loan Regulations" means Loan Regulations No. 3<sup>2</sup> of the Bank, dated December 6, 1950, as modified by Schedule 3<sup>2</sup> to this Loan Agreement.

(2) The term "CAH" means Crédito Agrícola de Habilitación, its successors or assigns, an institution of the Borrower engaged in agricultural credit operations.

(3) The term "Bancrepay" means Banco del Paraguay, its successors or assigns, a financial institution of the Borrower.

(4) The term "Agricultural Credit Department" means the Departamento Agrario of Bancrepay or any successor Department or institution performing the functions of the Departamento Agrario of Bancrepay.

(5) The term "Commercial Department" means the Departamento Comercial of Bancrepay or any successor department or institution performing the functions of the Departamento Comercial of Bancrepay.

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<sup>1</sup> Came into force on 5 September 1952, upon notification by the Bank to the Government of Paraguay.

<sup>2</sup> See p. 122 of this volume.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, the sum of five million dollars (\$5,000,000), or the equivalent thereof in currencies other than dollars.

*Section 2.02.* The parties to this Loan Agreement accept all the provisions of the Loan Regulations with the same force and effect as if they were fully set forth herein.

*Section 2.03.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Notwithstanding anything to the contrary contained in this Loan Agreement, unless the Bank shall otherwise agree :

(i) The Borrower shall not be entitled to make withdrawals from the Loan Account in respect of goods required for carrying out that portion of the Project described in paragraph (b) of Schedule 2<sup>1</sup> to this Loan Agreement until (a) preliminary plans and specifications satisfactory to the Bank in respect of such portion of the Project shall have been submitted to and approved by the Bank, and (b) the Borrower shall have submitted to the Bank evidence that master mechanics satisfactory to the Bank shall have been retained to supervise the machine shops for the maintenance of road building equipment referred to in such paragraph.

(ii) The Borrower shall not be entitled to make withdrawals from the Loan Account in respect of goods required for carrying out that portion of the Project described in paragraph (a) (3) or paragraph (a) (4) of Schedule 2 to this Loan Agreement until the Borrower shall have made arrangements satisfactory to the Bank for the obtaining of technical aid satisfactory to the Bank for the operation of the agricultural machinery pools referred to in such paragraph (a) (3) of Schedule 2.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three quarters of one per cent ( $\frac{3}{4}$  of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.05.* The Borrower shall pay interest (including commission) at the rate of four and three-eighths per cent ( $4\frac{3}{8}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

<sup>1</sup> See p. 120 of this volume.

*Section 2.06.* Except as the Borrower and the Bank shall otherwise agree the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1 %) per annum on the principal amount of such special commitment outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

*Section 2.08.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Loan Agreement.

### Article III

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required for the carrying out of the Project as described in Schedule 2 to this Loan Agreement. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by agreement between them.

*Section 3.02.* The Borrower shall cause all goods purchased in whole or in part with the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project. The portion of the goods to be distributed by, sold through or utilized by CAH, Bancrepay, the Ministerio de Agricultura y Ganadería and the Ministerio de Obras Públicas y Telecomunicaciones, respectively, shall be as agreed between the Borrower and the Bank.

### Article IV

#### BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Ministro de Hacienda and the Director del Tesoro and such person or persons as they shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

<sup>1</sup> See p. 118 of this volume.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01* (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for that portion of the Project described in paragraph (b) of Schedule 2 to this Loan Agreement and any material modifications subsequently made therein.

(c) The Borrower shall maintain or cause to be maintained records showing the use made of the goods and the progress of the Project and the financial condition and operations of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof; shall enable the Bank's representatives to examine the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the goods, the Project, and the financial condition and operations of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

*Section 5.02* (a) The Borrower and the Bank shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

*Section 5.03.* It is the mutual intention of the Borrower and the Bank that, except as the Borrower and the Bank shall otherwise agree, no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such

political subdivision as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing by its terms not more than one year after the date on which it is incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien created by Bancrepay or by any successor institution performing the functions of a central bank on any of its assets in the ordinary course of its business to secure a debt maturing by its terms not more than one year after the date on which it is incurred.

*Section 5.04.* The Borrower covenants that the principal of, and interest and other charges on, the Loan and the Bonds will be paid without deduction for and free from any taxes imposed by the Borrower or any taxing authority thereof or therein and free from all restrictions of the Borrower or any of its political subdivisions or any agency of the Borrower or of any such political subdivision. The foregoing provisions of this Section shall not apply to taxes on payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 5.05.* The Borrower covenants that the Loan Agreement and the Bonds will be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

*Section 5.06.* The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

*Section 5.07.* Except as the Bank shall otherwise agree, the Borrower shall cause the value of the goods purchased with the proceeds of the Loan to be disposed of as follows :

(a) Upon arrival in Paraguay of that portion of the goods to be sold under paragraph (a) (2) of Schedule 2 to this Loan Agreement, such goods shall become the property of CAH, and the equivalent in currency of the Borrower of the foreign exchange cost of such goods, converted into currency of the Borrower at the rate of exchange prescribed for importation of such goods at the time of the importation shall be retained by CAH for use as set forth in Section 5.08 of this Loan Agreement.

(b) Upon arrival in Paraguay of that portion of the goods to be sold by the Agricultural Credit Department or the Commercial Department under paragraph (a) (1) of Schedule 2 to this Loan Agreement, such goods shall become the property of Bancrepay for use by the Agricultural Credit Department or Commercial Department, and the equivalent in currency of the Borrower of the foreign exchange cost of such goods, converted into currency of the Borrower at the rate of exchange prescribed for importation of such goods at the time of the importation shall be retained for use by the Agricultural Credit Department or the Commercial Department as set forth in Section 5.08 of this Loan Agreement.

*Section 5.08.* (a) It is the intention of the Borrower that CAH shall set up a revolving fund to be utilized for the financing of imports of additional stocks of agricultural implements and supplies into Paraguay. Amounts accruing under Section 5.07 (a) will be paid into such fund and the fund will be replenished from time to time by that portion of the proceeds of sales by CAH of the additional implements and supplies so imported which represents the local currency counterpart of the foreign exchange cost of such imports. The Borrower will cause the necessary foreign exchange to be allocated for such imports. If, however, the Borrower considers at any time that such imports are not required or that the necessary foreign exchange is not available therefor, the Borrower will so notify the Bank and after affording the Bank an opportunity to consult and exchange views in respect of the matter, the Borrower will cause the fund referred to in this subsection (a) of Section 5.08 to be utilized by CAH for other purposes furthering the development of Paraguayan agriculture.

(b) It is the intention of the Borrower that Bancrepay shall set up a revolving fund to be utilized by the Agricultural Credit Department and Commercial Department for the financing of imports of additional stocks of agricultural implements and supplies into Paraguay to the extent that amounts in the fund are not needed by Bancrepay to pay the Borrower the sums required for the payment of that portion of the principal of the Loan and the Bonds allocated by the Borrower to Bancrepay. Amounts accruing under Section 5.07 (b) will be paid into such fund and the fund will be replenished from time to time by that portion of the proceeds of sales by the Agricultural Credit Department and Commercial Department of the additional implements and supplies so imported which represents the local currency counterpart of the foreign exchange cost of such imports. The Borrower will cause the necessary foreign exchange to be allocated for such imports. If, however, the Borrower considers at any time that such imports are not required or that the necessary foreign exchange is not available therefor, the Borrower will so notify the Bank and after affording the Bank an opportunity to consult and exchange views in respect of the matter, the Borrower will cause the fund referred to in this subsection (b) of Section 5.08 to be utilized by Bancrepay for other purposes furthering the development of Paraguayan agriculture.

*Article VI*

## REMEDIES OF THE BANK

*Section 6.01.* If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days or if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

*Article VII*

## EFFECTIVE DATE ; TERMINATION

*Section 7.01.* The following is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 9.01 (b) of the Loan Regulations :

(a) Except as the Borrower and the Bank shall otherwise agree, arrangements shall have been made in accordance with the plans heretofore submitted to the Bank for the reorganization and refinancing of CAH and for the provision of an adequate source of currency of the Borrower to CAH to cover its future operating expenses.

*Section 7.02.* The following is specified as an additional matter within the meaning of Section 9.02 (c) of the Loan Regulations to be included in the opinion to be furnished to the Bank : That the arrangements referred to in Section 7.01 of this Loan Agreement are legally binding and effective.

*Section 7.03.* The date specified for the purposes of Section 9.04 of the Loan Regulations is April 1, 1952.

*Article VIII*

## MISCELLANEOUS

*Section 8.01.* The Closing Date shall be November 1, 1953.

*Section 8.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Banco del Paraguay, Asunción, Paraguay.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, D.C., U.S.A.



Section 8.03. The Ambassador of Paraguay to the United States is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused six counterparts of this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Paraguay :

By Luis Oscar BOETTNER  
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK  
President

### SCHEDULE 1

#### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars*)</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>
November 1, 1953	—	\$ 5,000,000	May 1, 1957 . . .	509,000	3,891,000
May 1, 1954 . . .	\$ 100,000	4,900,000	November 1, 1957	520,000	3,371,000
November 1, 1954	100,000	4,800,000	May 1, 1958 . . .	532,000	2,839,000
May 1, 1955 . . .	100,000	4,700,000	November 1, 1958	544,000	2,295,000
November 1, 1955	100,000	4,600,000	May 1, 1959 . . .	555,000	1,740,000
May 1, 1956 . . .	100,000	4,500,000	November 1, 1959	567,000	1,173,000
November 1, 1956	100,000	4,400,000	May 1, 1960 . . .	580,000	593,000
			November 1, 1960	593,000	—

#### PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

\* To the extent that any part of the Loans is repayable in a currency other than dollars (see Section 3.02 of the Loan Regulations), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 2 years before maturity . . . . .	½ %
More than 2 years but not more than 4 years before maturity . . . . .	1 %
More than 4 years but not more than 6 years before maturity . . . . .	1½ %
More than 6 years before maturity . . . . .	2 %

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The project is a part of a three year program of the Borrower for the expansion of agricultural production in Paraguay.

The project includes the following :

(a) Farm tools, farm machinery, insecticides, veterinary supplies and fertilizers will be purchased and imported into Paraguay and will there be utilized solely for agricultural purposes. Such materials and equipment will be disposed of and utilized by one of the following methods :

- (1) They may be sold by the Commercial Department or the Agricultural Credit Department to farmers or farm colonies for cash or on credits to be extended by the Agricultural Credit Department ;
- (2) They may be sold by CAH to farmers or farm colonies for cash or on credits to be extended by CAH ;
- (3) They may be used in one of two pools of machinery and equipment established at Pirareta and Misiones, respectively, and to be administered under the direction of the Ministerio de Agricultura y Ganadería for the servicing of agricultural lands through the plowing, discing, terracing and draining of land, the harvesting of crops, the sorting and cleaning of grains, the drying of grains for storage, and the spraying and dusting of crops with insecticides ;
- (4) They may be utilized in the establishment or maintenance of repair shops at Pirareta and Misiones for agricultural equipment and for stocking of spare parts for farm tractors and implements.

The portion of the proceeds of the Loan which may be expended on account of the cost of goods to be utilized in each of the categories listed above shall be as agreed between the Borrower and the Bank.

(b) Road building equipment will be imported into Paraguay, and trunk roads connecting the agricultural regions of southeastern and central Paraguay with marketing and transportation centers will be constructed, completed and maintained by the Ministerio de Obras Públicas y Telecomunicaciones. The specific works to be completed are as follows : All weather graded roads with adequate drainage will be constructed to connect the communities of Pilar, San Ignacio, Encarnación, Colonia Hohenau and Colonia Capitán Meza. Suitable shops and facilities under the supervision of trained master mechanics will be maintained for the repair and servicing of equipment purchased with the proceeds

of the Loan. Technical personnel for the repair and maintenance of road-building machinery will be trained.

(c) Trucks will be imported into Paraguay and will there be maintained and operated by the Commercial Department in connection with its agricultural operations and for the transportation of agricultural commodities from farm to market.

### SCHEDULE 3

#### MODIFICATIONS OF LOAN REGULATIONS No. 3<sup>1</sup>

For the purposes of the Loan Agreement, Loan Regulations No. 3 of the Bank, dated December 6, 1950, shall be deemed to be modified as follows :

(a) The second sentence of Section 2.02 shall be deemed to read as follows :  
"Such commitment charge shall accrue from the Effective Date or from March 1, 1952, whichever shall be the earlier, or from such other date as may be agreed upon between the Bank and the Borrower, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V."

(b) The last sentence of Section 4.02 shall be deemed to be deleted.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 6 DECEMBER 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 158, p. 170.*]

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<sup>1</sup> See below.

LETTER-AGREEMENT<sup>1</sup> BETWEEN THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE REPUBLIC OF PARAGUAY CONCERNING CONDITIONS UNDER WHICH THE BANK WAS PREPARED TO MAKE THE LOAN AGREEMENT EFFECTIVE. WASHINGTON, 5 SEPTEMBER 1952

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
1818 H STREET, N.W., WASHINGTON 25, D.C.

September 5, 1952

His Excellency Dr. Luis Oscar Boettner  
Ambassador of Paraguay  
Washington, D.C.

Dear Mr. Ambassador :

We are pleased to have the information furnished us with the letter of July 26, 1952, from Dr. Juan R. Chaves. Except as indicated in the following paragraph, the information submitted with that letter completes the requirements to be met before the Loan Agreement<sup>2</sup> (Agricultural Project) dated December 7, 1951, between the Bank and your Government can become effective.

As you are aware, one of the conditions prerequisite to the effectiveness of the Loan Agreement is that an adequate accounting system should have been established for Crédito Agrícola de Habilidadación (CAH). We feel that an essential part of a sound accounting system is the establishment of an effective control of the inventories of the entire CAH organization. We are prepared, nevertheless, to declare the Loan Agreement effective on the basis of the agreement of your Government to the matters set forth in paragraphs 1-3 below, and are writing to confirm the understanding between us on those matters.

1. If an inventory control satisfactory to the Bank shall not have been established, and evidence thereof satisfactory to the Bank shall not have been furnished to the Bank by November 1, 1952, the Bank may, at any time thereafter, by written notice to your Government, suspend the right of the Borrower to make withdrawals from the Loan Account of that portion of the proceeds of the Loan allocated for use or distribution by CAH. In the event of such suspension, the

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<sup>1</sup> Came into force on 5 September 1952 by signature.

<sup>2</sup> See p. 104 of this volume.

right of the Borrower to make such withdrawals from the Loan Account shall continue to be suspended until such inventory control shall have been established, and evidence thereof satisfactory to the Bank shall have been furnished to the Bank.

2. Withdrawals from the Loan Account, together with special commitments entered into pursuant to Section 4.02 of Loan Regulations No. 3<sup>1</sup>, shall not, until further agreement between us, exceed the amount specified for 1952 in the respective categories in the list attached hereto, aggregating \$1,900,000. The remainder of the Loan will become available for withdrawal by the Borrower in accordance with the provisions of the Loan Agreement from time to time as agreed upon between the Bank and the Borrower.

3. In view of the arrangements contained in paragraph 2 above, the commitment charge specified in Section 2.04 of the Loan Agreement shall not accrue on any amount in excess of \$1,900,000 unless and until such excess amount shall become available for withdrawal by the Borrower (subject to the provisions of the Loan Agreement) by further agreement as provided in paragraph 2.

If this letter correctly states the understanding between us, please so indicate by signing the form of confirmation on the enclosed copy of this letter and returning that copy to us. The Loan Agreement will thereupon become effective as of the date of this letter.

Very truly yours,

International Bank for Reconstruction and Development :

By R. L. GARNER

Confirmed :

Republic of Paraguay

By Luis Oscar BOETTNER

Ambassador of Paraguay to the United States

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<sup>1</sup> See p. 122 of this volume.