

No. 6419

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PARAGUAY**

**Development Credit Agreement—*Road Construction and Maintenance Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington on 26 October 1961**

*Official text: English.*

*Registered by the International Development Association on 12 December 1962.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
PARAGUAY**

**Contrat de crédit de développement — *Projet relatif à la construction et à l'entretien du réseau routier* (avec lettres y relatives et, en annexe, le Règlement n°1 sur les crédits de développement). Signé à Washington, le 26 octobre 1961**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 12 décembre 1962.*

No. 6419. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*ROAD CONSTRUCTION AND MAINTENANCE PROJECT*) BETWEEN THE REPUBLIC OF PARAGUAY AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 26 OCTOBER 1961

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AGREEMENT, dated October 26, 1961, between REPUBLIC OF PARAGUAY (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

*Article I*

DEVELOPMENT CREDIT REGULATIONS ; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Agreement accept the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961<sup>2</sup> (hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

*Article II*

THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to six million dollars (\$6,000,000).

*Section 2.02.* The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Credit Account (i) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association

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<sup>1</sup> Came into force on 10 July 1962, upon notification by the Association to the Government of Paraguay.

<sup>2</sup> See p. 292 of this volume.

of such amounts as shall have been expended by the Borrower for the reasonable cost of goods required for carrying out Part A of the Project ; (ii) such amounts as shall have been paid in foreign exchange to consultants for their services under Part B of the Project ; and (iii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of the foregoing ; provided, however, that no withdrawals shall be made on account of expenditures for goods procured prior to the date of this Agreement.

*Section 2.04.* Withdrawals from the Credit Account shall be in such currency or currencies as the Association shall from time to time reasonably select.

*Section 2.05.* The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

*Section 2.06.* Service charges shall be paid semi-annually on February 15 and August 15 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual installments payable on each February 15 and August 15 commencing February 15, 1972 and ending August 15, 2011, each installment to and including the installment payable on August 15, 1981 to be one-half of one per cent ( $\frac{1}{2}$  of 1%) of such principal amount, and each installment thereafter to be one and one-half of one per cent ( $1\frac{1}{2}$ %) of such principal amount.

### *Article III*

#### USE OF PROCEEDS OF THE CREDIT

*Section 3.01.* The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1<sup>1</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

*Section 3.02.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project.

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<sup>1</sup> See p. 288 of this volume.

*Article IV*

## PARTICULAR COVENANTS

*Section 4.01.* (a) The Borrower shall cause the Project to be carried out and maintained with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) In carrying out the Project the Borrower shall employ competent and experienced engineering consultants satisfactory to the Borrower and the Association upon terms and conditions satisfactory to the Borrower and the Association.

(c) Except as the Association shall otherwise agree, the road and structures included in the Project shall be constructed or improved by contractors satisfactory to the Borrower and the Association, employed under contracts satisfactory to the Association awarded on the basis of international competitive bidding.

(d) The general design standards and the type of surfacing to be used for the road included in the Project shall be as determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

(e) Upon request from time to time by the Association, the Borrower shall promptly furnish or cause to be furnished to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

*Section 4.02.* (a) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof ; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, and the Goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

(b) The Borrower shall at all times make available promptly as needed all sums and other resources which shall be required for the carrying out of the Project.

*Section 4.03.* (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. 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 Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

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

*Section 4.04.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes (including duties, fees or impositions) imposed under the laws of the Borrower or laws in effect in its territories and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 4.05.* This Agreement shall be free from any taxes (including duties, fees or impositions) that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 4.06.* The Borrower shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower.

*Section 4.07.* The Borrower shall cause the road and structures constructed or improved with the proceeds of the Credit to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

## Article V

### REMEDIES OF THE ASSOCIATION

*Section 5.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

*Article VI*

## MISCELLANEOUS

*Section 6.01.* The Closing Date shall be December 31, 1965, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 6.02.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministerio de Hacienda  
Asunción, Paraguay

Alternative address for cablegrams and radiograms :

Minhacienda  
Asuncion, Paraguay

For the Association :

International Development Association  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms .

Indevas  
Washington, D. C.

*Section 6.03.* The Ambassador of Paraguay to the United States is designated for the purposes of Section 7.03 of the Regulations.

*Section 6.04.* The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Credit Regulations :

(a) the completion of the arrangements contemplated by Section 4.01 (b) of this Credit Agreement ; and

(b) the completion of the arrangements contemplated by Section 4.02 (b) of this Credit Agreement.

*Section 6.05.* A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit 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 Juan PLATE  
Authorized Representative

International Development Association :

By J. Burke KNAPP  
President

#### SCHEDULE 1

##### DESCRIPTION OF THE PROJECT

The Project consists of :

A. The improvement of approximately 303 kilometers of Highway No. 1 between Paraguari and Encarnación, including construction of a bridge approximately 330 meters long over the Tobicuary River.

B. The study of the organization and operation of the Highway Department (Dirección General de Vialidad) including its maintenance division, and the implementation of the adopted recommendations of that study.

C. The acquisition of some maintenance equipment, spare parts and workshop equipment for adequate maintenance of the main road network within the jurisdiction of the Highway Department.

#### LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DEL PARAGUAY<sup>1</sup>  
WASHINGTON, D. C.

October 26, 1961

International Development Association  
1818 H Street, N.W.  
Washington 25, D. C.

Gentlemen :

We refer to the Development Credit Agreement (*Road Construction and Maintenance Project*) of even date<sup>2</sup> between the Republic of Paraguay and the International Develop-

<sup>1</sup> Embassy of Paraguay.

<sup>2</sup> See p. 278 of this volume.

ment Association and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of United States of America.
- (ii) If at any time the Association shall determine that such currency is not freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations, the Association shall so notify us and furnish us with a list of the currencies which, in the determination of the Association, are so convertible or so exchangeable.
- (iii) If within thirty days from the date of such notice the undersigned shall not have selected a specific currency or currencies from such list in which payment shall be made, then payment of such principal and service charges shall be made in a currency or currencies to be selected by the Association from such list.
- (iv) Any selection of a currency pursuant to (iii), shall be subject, in turn, to the provisions of (ii) and (iii) hereof.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Paraguay :  
By Juan PLATE  
Authorized Representative

*Confirmed :*  
International Development  
Association :  
By Orvis A. SCHMIDT

EMBAJADA DEL PARAGUAY<sup>1</sup>  
WASHINGTON, D. C.

October 26, 1961

International Development Association  
1818 H Street, N.W.  
Washington 25, D. C.

Gentlemen :

This is to confirm our agreement that the figure of 75% constitutes the percentage to be established at this time pursuant to Section 2.03 (i) of the Development Credit Agreement (*Road Construction and Maintenance Project*) of even date between the Republic of Paraguay and the Association.

This figure of 75% representing the approximate percentage which the presently estimated foreign currency component (equivalent to about \$3.9 million) of the payments

<sup>1</sup> Embassy of Paraguay.



for goods referred to in such Section (and provided for in Category 1 of the List of Goods<sup>1</sup> of even date herewith) is of the presently estimated total amount of such payments (equivalent to about \$5.2 million). Such percentage is intended, among other things, to permit the disbursement of the portion of the Credit set forth in such Category 1 as nearly as practicable in direct relationship to the progress of the Project throughout the period of construction.

We further confirm our understanding that, whenever there should be a substantial change in either or both (a) the estimated amount of such foreign currency component or (b) the estimated total amount of such payments, we shall promptly inform the Association and, if either we or the Association shall so request, there shall be substituted a revised percentage thereafter to be used for purposes of the aforementioned clause, such revised percentage to be the lower of the following: (1) the percentage which the estimated amount of such foreign currency component then remaining unexpended is of the then revised estimated total amount of such payments still to be made; or (2) the percentage which the amount of the Credit then remaining undisbursed in such Category 1 is of the dollar equivalent of the then estimated total amount of such payments still remaining to be made. For the purposes of the calculations required under (1) and (2) above, the rates of exchange of currencies shall be as reasonably determined by the Association.

Please indicate your agreement with the foregoing by signing the form of confirmation on the attached copy of this letter and returning it to us.

Very truly yours,

Republic of Paraguay :  
By Juan PLATE  
Authorized Representative

*Confirmed :*  
International Development  
Association :  
By Orvis A. SCHMIDT

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1,  
DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER  
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]

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<sup>1</sup> Not reproduced in the copies of the Agreement transmitted for registration.