

No. 7394

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PARAGUAY**

Development Credit Agreement—*Cattle Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington, on 26 December 1963

Official text: English.

Registered by the International Development Association on 24 August 1964.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
PARAGUAY**

Contrat de crédit de développement—*Projet relatif à l'élevage du bétail* (avec lettres connexes et, en annexe, le Règlement n^o 1 sur les crédits de développement). Signé à Washington, le 26 décembre 1963

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 24 août 1964.

No. 7394. DEVELOPMENT CREDIT AGREEMENT¹ (*CATTLE PROJECT*) BETWEEN THE REPUBLIC OF PARAGUAY AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 26 DECEMBER 1963

AGREEMENT, dated December 26, 1963, between REPUBLIC OF PARAGUAY (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961² with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) Section 3.01 is deleted and the following new section is substituted therefor :

“SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

“(b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“(i) on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower in such currency or currencies as the Association shall from time to time reasonably select ;

“(ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

¹ Came into force on 4 June 1964, upon notification by the Association to the Republic of Paraguay.

² See p. 22 of this volume.

“(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made.”

(b) A new Section 3.04 is inserted after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

(c) Section 3.04 is renumbered as Section 3.05.

Section 1.02. Wherever used in this Agreement or in the Schedule thereto, the following terms shall have the following meanings :

- (a) The term “Central Bank” means the Central Bank of Paraguay.
- (b) The term “Development Bank” means the National Development Bank of Paraguay.
- (c) The term “Coordinating Committee” means the committee referred to in Section 4.01 (d), to be created by the Borrower, composed of a senior officer of the Central Bank as chairman, a representative of the Development Bank and a technical livestock expert.
- (d) The term “Operating Agreement” means the Agreement among the Borrower, the Central Bank and the Development Bank, described in Section 4.01 (e) of this Agreement.

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 three million six hundred thousand dollars (\$3,600,000).

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, the Development Credit Agreement ; provided, however, that no withdrawals shall be made : (i) with respect to the loans described in subparagraph 1 of the Schedule¹ to this Agreement unless the plan of ranch development for which such loan would be granted shall be approved by the technical livestock expert referred to in Section 4.01 (b) ; and (ii) with respect to the loans described in subparagraph 2 of the Schedule to this Agree-

¹ See p. 18 of this volume.

ment unless the granting of such loans shall be approved by such expert. As used in this Section, the term "plan of ranch development" means a proposal for improving the physical resources of fencing, water and stock handling facilities to be financed with the proceeds of the Credit.

Section 2.03. Except as the Borrower and the Association shall otherwise agree :

(a) the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account : (i) such amounts as shall have been expended for the reasonable cost of goods to be financed out of the proceeds of the Credit ; (ii) such amounts as shall be the equivalent to such percentage or percentages as may from time to time be agreed between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project and not included in the foregoing ; and (iii) if the Association shall so agree, such amounts as shall be required to meet payments under (i) and (ii) hereof ;

(b) no withdrawals shall be made on account of expenditures incurred prior to November 1, 1963.

Section 2.04. 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 outstanding from time to time of any special commitment entered into by the Association pursuant to Section 4. 02 of the Regulations.

Section 2.05. Service charges shall be paid semiannually on April 1 and October 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semiannual instalments payable on each April 1 and October 1 commencing October 1, 1973, and ending April 1, 2013, each instalment to and including the instalment payable on April 1, 1983 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of the goods required to carry out the Project described in the Schedule 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.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound financial, agricultural and engineering practices. In furtherance thereof, the Borrower shall, *inter alia*, make available, or cause to be made available, promptly as needed all funds and other resources which shall be required therefor.

(b) In carrying out the Project, the Borrower shall employ or cause to be employed a technical livestock expert acceptable to the Association on terms and conditions satisfactory to the Borrower and the Association.

(c) All monies withdrawn from the Credit Account, except monies withdrawn in respect of technical supervisory services, shall be made available as loans or portions of loans granted by the Borrower to carry out the Project.

(d) Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause the Central Bank to organize the Coordinating Committee.

(e) The Borrower shall make arrangements, satisfactory to the Association, to assure that (i) the Central Bank shall have responsibility for the overall administration of the Project and (ii) the Development Bank shall provide technical and banking services in connection therewith. Such arrangements shall be defined in the Operating Agreement which shall be subject to the prior agreement of the Association and shall not be modified without the consent of the Association.

Section 4.02. Except as shall be otherwise agreed between the Borrower and the Association, the Borrower shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Credit. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Borrower and shall be for such amounts as shall be consistent with sound commercial practices. Such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 4.03. In the case of any loan or loans exceeding in the aggregate the equivalent of one hundred thousand dollars granted by the Borrower to a single debtor, the Borrower agrees to submit or cause to be submitted such information about the proposed loan or loans as the Association shall reasonably request. The Borrower further agrees that it shall not grant or permit to be granted any such loans without prior approval of the Association.

Section 4.04. The Borrower shall : (i) 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 of the agency or agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof ; (ii) enable the Association's representatives to inspect the Project, the goods and any relevant records and documents ; and (iii) 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, the goods, and the operations, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out and operation of the Project or any part thereof.

Section 4.05. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end :

(a) the Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Development Credit Agreement and by the Central Bank and the Development Bank of their obligations under the Operating Agreement, financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower ;

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Development Credit Agreement or the performance by the Borrower or other parties to the Operating Agreement of their respective obligations under the Operating Agreement ; and

(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 4.06. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes 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 4.07. This Agreement shall be free from any taxes 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 4.08. Except as the Borrower and the Association shall otherwise agree, the Borrower shall use the proceeds of payments which it receives on account of loans granted under the Project and which are not currently required to service the Credit for the purpose of continuing its cattle development program for a period of twenty years from the date of this Agreement. The Borrower and the Association shall consult from time to time as to the procedure for ensuring effective use of such proceeds.

Article V

REMEDIES OF 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 or if any event specified in Section 5.02 of this Agreement 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.

Section 5.02. The following is specified as an additional event for the purposes of Section 5.02 of the Regulations :

Decree Law Number 710, July 25, 1961, of the Borrower, as amended prior to the date of the Development Credit Agreement, shall have been suspended, terminated, repealed or amended, without the prior agreement of the Association.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

That the Operating Agreement has been duly entered into in form satisfactory to the Association and has become binding upon the parties thereto in accordance with its terms.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

That the Operating Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower, the Central Bank and the Development Bank and has become effective and is a valid and binding obligation of the parties thereto in accordance with its terms.

Section 6.03. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1967 or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. 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 cables and radiograms :

Minhacienda
Asunción

For the Association :

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

Alternative address for cables and radiograms :

Indevas
Washington, D.C.

Section 7.03. The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 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

Vice President

SCHEDULE

DESCRIPTION OF PROJECT

The Project is a part (extending over a period of three years) of a cattle development program of the Borrower and includes :

1. The granting of loans to cattle producers for ranch development.
2. The granting of loans to contractors for the importation of machinery for excavating earth tanks.
3. The provision of technical supervisory services for the cattle development program.

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBAJADA DEL PARAGUAY¹

WASHINGTON, D.C.

December 26, 1963

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

Re : *Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Paraguayan Livestock Project*) of even date² between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section we hereby request your agreement as follows :

¹ Embassy of Paraguay.

² See p. 4 of this volume.

- (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 the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii)) we shall deliver to the Association, not less than 3 nor more than 4 months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.
- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For purposes of this letter, « eligible currency » means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

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 Alfred E. MATTER

EMBAJADA DEL PARAGUAY¹
WASHINGTON, D.C.

December 26, 1963

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

Dear Sirs :

Please refer to the Development Credit Agreement (*Cattle Project*) between the Republic of Paraguay and the International Development Association of even date herewith. In order to achieve the purposes of such Credit, we should like to confirm certain policies with respect to the cattle industry :

1. It is our intention to maintain the policy* of minimum prices for cattle presently in effect in Paraguay. Any modification in cattle prices will be communicated to the Association with the reasons therefor.
2. It is also our intention to maintain freedom of movement of cattle within Paraguay without restriction other than the minimum restrictions authorized by Law 710, July 25, 1961.
3. The composition of the Board of Corporación Paraguayan de Carnes (COPACAR) will be in accordance with the provisions of Law 710, and the terms of the members of the Board will be as specified in such Law.
4. The existing system of cattle marketing will be maintained, and the Government will make all necessary efforts to promote freedom of marketing.
5. Assistance will be given to the activities of meat processing companies, and measures will be taken, as appropriate, to promote their ability to compete in export markets.
6. The slaughterhouse which COPACAR is planning to build in Asunción will be open to private butchers at reasonable charges.

Very truly yours,

Republic of Paraguay :
By Juan PLATE
Authorized Representative

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.*]

¹ Embassy of Paraguay.

* As expressed in Decree Law Number 710 (July 25, 1961) particularly Section 5 (a) and (b).