

No. 8268

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

**Guarantee Agreement—*Port of Asunción Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Administración Nacional de Navegación y Puertos). Signed at Washington, on 16 December 1965**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 21 July 1966.*

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

**Contrat de garantie — *Projet relatif au port d'Asunción* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et l'Administración Nacional de Navegación y Puertos). Signé à Washington, le 16 décembre 1965**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 21 juillet 1966.*

No. 8268. GUARANTEE AGREEMENT<sup>1</sup> (*PORT OF ASUNCIÓN PROJECT*) BETWEEN THE REPUBLIC OF PARAGUAY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 16 DECEMBER 1965

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AGREEMENT, dated December 16, 1965, between REPUBLIC OF PARAGUAY (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Administración Nacional de Navegación y Puertos (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to two million seven hundred fifty thousand dollars (\$2,750,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,<sup>2</sup> subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Article II*

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor

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<sup>1</sup> Came into force on 30 June 1966, upon notification by the Bank to the Government of Paraguay.

<sup>2</sup> See p. 174 of this volume.

hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

### *Article III*

*Section 3.01.* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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 will 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; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “ assets of the Guarantor ” as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or any of its political subdivisions, including the assets of Banco Central del Paraguay and any other institution performing the functions of a central bank for the Guarantor.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate 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

Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

*Section 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bonds to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

*Section 3.06.* The Guarantor shall permit the Borrower, in accordance with the principles presently set forth in Law No. 1066 of the Guarantor, creating the Borrower, to establish and maintain tariffs of charges for its services which will provide revenues sufficient

(a) to cover all operating expenses, including adequate maintenance and depreciation, and interest; and

(b) to enable the Borrower, out of its own cash resources, to meet repayments on long-term debt, to provide adequate working capital and to finance the cost of renewals or replacements of plant and equipment, the cost of minor port works and a reasonable portion of the cost of major expansion and development works.

*Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The *Ministro de Hacienda* of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

*Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministerio de Hacienda  
Asunción  
Paraguay

Alternative address for cablegrams and radiograms :

Minhacienda  
Asunción  
Paraguay

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

*Section 5.02.* The Ambassador to the United States of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

*Section 5.03.* If the Loan Agreement terminates pursuant to Section 7.02 thereof, this Guarantee Agreement and all the obligations of the parties hereunder shall terminate.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee 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 Bank for Reconstruction and Development :

By George D. WOODS  
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4 DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER  
THAN MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

#### LOAN AGREEMENT

#### (PORT OF ASUNCIÓN PROJECT)

AGREEMENT, dated December 16, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ADMINISTRACIÓN NACIONAL DE NAVEGACIÓN Y PUERTOS (hereinafter called the Borrower), a public corporation established pursuant to Law No. 1066, dated August 23, 1965, of the Republic of Paraguay.

#### *Article I*

#### LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,<sup>1</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations) : Sections 4.01 and 9.04 are deleted.

#### *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, an amount in various currencies equivalent to two million seven hundred fifty thousand dollars (\$2,750,000).

<sup>1</sup> See above.

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to said 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, this Loan Agreement.

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

(a) The Borrower shall be entitled, subject to the provisions of this Loan Agreement, to withdraw from the Loan Account : (i) the equivalent of a percentage to be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been expended by the Borrower for the reasonable cost of construction required for carrying out Part A of the Project (except the cost of consulting engineers' services); and (ii) such amounts as shall have been otherwise expended (other than for goods produced in, including services supplied from, the territories of the Guarantor or for expenditures in currency of the Guarantor) for the reasonable cost of goods required for carrying out the Project and not included in (i) hereof; and (iii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of the foregoing.

(b) Withdrawals from the Loan Account on account of expenditures specified in (i) of sub-section (a) of this Section shall be in dollars or such other currency or currencies, other than currency of the Guarantor, as the Bank shall from time to time reasonably select.

(c) Notwithstanding the foregoing provisions of this Section, no withdrawals shall be made on account of (i) expenditures made prior to September 1, 1965 or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ( $\frac{3}{8}$  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 at the rate of five and one-half per cent ( $5\frac{1}{2}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.06.* Except as the Bank and the Borrower 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 any such special commitments outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on April 1 and October 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 to this Loan Agreement.

*Article III*

## USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Loan Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

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

*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 *Presidente* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, port and financial practices.

(b) In the carrying out of the Project, the Borrower shall employ competent and experienced engineering consultants, operations consultants, and contractors acceptable to the Bank, upon terms and conditions satisfactory to the Bank and the Borrower.

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

*Section 5.02.* The Borrower shall at all times conduct its business and carry on its operations under competent management and in accordance with sound engineering, port and financial practices.

*Section 5.03.* The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, 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 Borrower; and shall enable the Bank's representatives to inspect the Project, the goods and all other plants, sites, works, property and equipment of the Borrower and any relevant records and documents.

*Section 5.04.* (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods, the Project, and the administration, operations and financial condition of the Borrower.

(c) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

*Section 5.05.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any 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 will 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; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

*Section 5.06.* The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement<sup>1</sup> or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of 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 Guarantor.

*Section 5.07.* The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds.

<sup>1</sup> See p. 166 of this volume.

*Section 5.08.* (a) The Borrower shall insure or cause to be insured with good and reputable insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the Borrower and shall be for such amounts as shall be consistent with sound commercial practices. Except as the Bank shall otherwise agree, any indemnity under such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable, or in dollars.

(b) In addition, the Borrower shall take out and maintain with good reputable insurers, or make other adequate provisions for, insurance against such risks and in such amounts as shall be consistent with sound commercial practices.

*Section 5.09.* (a) The Borrower shall take all practical steps required to obtain and maintain or renew all rights, powers, privileges and franchises which are necessary for the construction and operation of the Project and the carrying on of its business.

(b) The Borrower shall not, without the prior consent of the Bank, sell or otherwise dispose of its property and assets except in the ordinary course of its business.

*Section 5.10.* The Borrower shall operate and maintain its installations, equipment and other property, and from time to time make all necessary renewals and repairs thereof, in accordance with sound engineering standards.

*Section 5.11.* The Borrower shall keep separate accounts in respect of (i) the port of Asunción, (ii) the other ports administered by the Borrower and (iii) operations concerning river maintenance and navigation, and shall have its accounts regularly audited, at least once a year, by independent auditors acceptable to the Bank.

*Section 5.12.* If the Borrower shall propose to incur any debt maturing by its terms more than one year after the date on which it is originally incurred, or to incur capital expenditures for major development works other than the Project, it shall inform the Bank of such proposal and afford the Bank a reasonable opportunity to exchange views with the Borrower thereon before the proposed action is taken.

*Section 5.13.* The Borrower in accordance with the principles presently set forth in Law No. 1066 of the Guarantor, creating the Borrower, shall establish and maintain tariffs of charges for its services which will provide revenues sufficient

(a) to cover all operating expenses, including adequate maintenance and depreciation, and interest; and

(b) to enable the Borrower, out of its own cash resources, to meet repayments on long-term debt, to provide adequate working capital and to finance the cost of renewals or replacements of plant and equipment, the cost of minor port works and a reasonable portion of the cost of major expansion and development works.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Loan

Agreement shall occur and shall continue for a period of thirty days, or (ii) 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 such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* For the purposes of Section 5.02 (j) of the Loan Regulations, the following additional event is specified, namely :

Any amendment of Law No. 1066 of the Guarantor, creating the Borrower, shall have become effective without the prior agreement of the Bank.

### Article VII

#### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following event is specified as an additional condition to the effectiveness of this Loan Agreement within the meaning of Section 9.01 (c) of the Loan Regulations, namely that the Borrower shall have employed consultants in accordance with the provisions of Section 5.01 (b) of this Agreement.

*Section 7.02.* If the Loan Agreement shall not have come into force and effect by June 30, 1966, the Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such date.

### Article VIII

#### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be September 30, 1970, or such other date as shall be agreed upon by the Bank and the Borrower.

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

For the Borrower :

Presidente  
Administración Nacional de Navegación y Puertos  
Asunción  
Paraguay

Alternative address for cablegrams and radiograms :

Puertos  
Asunción, Paraguay

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused 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.

International Bank for Reconstruction and Development :

By George D. WOODS  
President

Administración Nacional de Navegación y Puertos :

By Ramón E. MARTINO  
Authorised Representative

### SCHEDULE 1

#### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
October 1, 1970	\$35,000	April 1, 1981	\$65,000
April 1, 1971	40,000	October 1, 1981	65,000
October 1, 1971	40,000	April 1, 1982	70,000
April 1, 1972	40,000	October 1, 1982	70,000
October 1, 1972	40,000	April 1, 1983	75,000
April 1, 1973	40,000	October 1, 1983	75,000
October 1, 1973	45,000	April 1, 1984	75,000
April 1, 1974	45,000	October 1, 1984	80,000
October 1, 1974	45,000	April 1, 1985	80,000
April 1, 1975	45,000	October 1, 1985	85,000
October 1, 1975	50,000	April 1, 1986	85,000
April 1, 1976	50,000	October 1, 1986	90,000
October 1, 1976	50,000	April 1, 1987	90,000
April 1, 1977	55,000	October 1, 1987	95,000
October 1, 1977	55,000	April 1, 1988	95,000
April 1, 1978	55,000	October 1, 1988	100,000
October 1, 1978	55,000	April 1, 1989	100,000
April 1, 1979	60,000	October 1, 1989	105,000
October 1, 1979	60,000	April 1, 1990	105,000
April 1, 1980	60,000	October 1, 1990	115,000
October 1, 1980	65,000		

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## 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 :

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity . . . . .	1/2%
More than three years but not more than six years before maturity . . . . .	1%
More than six years but not more than eleven years before maturity . . . . .	1 1/2%
More than eleven years but not more than sixteen years before maturity . . . . .	2 1/2%
More than sixteen years but not more than twenty-one years before maturity . . . . .	3 1/2%
More than twenty-one years but not more than twenty-three years before maturity . . . . .	4 1/2%
More than twenty-three years before maturity . . . . .	5 1/2%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project consists of :

*Part A*—Expansion and improvement of the Port of Asunción by means of dredging, reclamation and construction of about 320 meters of quay, a pontoon wharf and two transit sheds, adapting two existing buildings and providing utilities and various ancillary works.

*Part B*—Procurement of port operating equipment for the Port of Asunción.

*Part C*—Improvement of the port operating and accounting procedures of the Borrower.

The Project is expected to be completed by the end of 1969.