

No. 8469

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
PARAGUAY**

**Development Credit Agreement—*Second Livestock Project*  
(with related letter and annexed Development Credit  
Regulations No. 1). Signed at Washington, on 4 April  
1966**

*Official text: English.*

*Registered by the International Development Association on 14 December 1966.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
PARAGUAY**

**Contrat de crédit de développement — *Deuxième projet re-  
latif à l'élevage du bétail* (avec lettre y relative et, en  
annexe, le Règlement n° 1 sur les crédits de développe-  
ment). Signé à Washington, le 4 avril 1966**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 14 décembre 1966.*

No. 8469. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*SECOND LIVESTOCK PROJECT*) BETWEEN THE REPUBLIC OF PARAGUAY AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 4 APRIL 1966

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AGREEMENT, dated April 4, 1966, 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, 1961,<sup>2</sup> 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) The words “ at the same rate ” in the second sentence of Section 2.02 are deleted and the words “ at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum ” are substituted therefor.

(b) 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 *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the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“ (b) The proceeds of the Credit shall be withdrawn from the Credit Account :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;

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<sup>1</sup> Came into force on 28 July 1966, upon notification by the Association to the Government of Paraguay.

<sup>2</sup> See p. 350 of this volume.

“(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.

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

(c) 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.”

(d) Section 3.04 is renumbered as Section 3.05.

(e) Section 8.04 is deleted.

*Section 1.02.* Unless the context otherwise requires, the following terms wherever used in the Development Credit Agreement 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), 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, dated February 28, 1964, as amended February 18, 1966, setting forth the organization and functions of the “ Coordinating Committee ”.

(e) The term “ livestock ” means beef cattle, dairy cattle and sheep.

(f) The term “ plan of farm development ” means a proposal for improving the physical resources of fencing, water and stock handling facilities, drainage works, pasture improvement, breeding stock, farm houses, on-farm disease control measures or other related on-farm items or any combination thereof to be financed with the proceeds of the Credit.

*Article II*

## THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to seven million five hundred thousand dollars (\$7,500,000).

*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 Development Credit Agreement; provided, however, that no withdrawals shall be made : (i) with respect to any loan described in sub-paragraph 1 of the Schedule to this Agreement unless the plan of farm 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 loan or loans described in sub-paragraph 2 of the Schedule to this Agreement unless the granting of such loan or loans shall be approved by the Association.

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

(a) the Borrower shall be entitled, subject to the provisions of this Development Credit 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 of such amounts as shall have been paid or, if the Association shall so agree, as shall be required to meet payments to be made under the loans described in sub-paragraph 1 of the Schedule to this Agreement and to be financed out of the proceeds of the Credit; (ii) such amounts as shall have been paid or, if the Association shall so agree, as shall be required to meet payments to be made for the reasonable foreign exchange cost of goods required for the part of the Project described in sub-paragraph 2 or 3 of the Schedule to this Agreement and to be financed out of the proceeds of the Credit.

(b) no withdrawals shall be made on account of expenditures incurred prior to the date of this Agreement.

*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 rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum 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 April 1, 1976 and ending October 1, 2015, each instalment to and including the instalment payable on October 1, 1985 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.

(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) The Borrower shall maintain or cause the Central Bank to maintain the Coordinating Committee in its present form until the Credit has been fully withdrawn from the Credit Account. Thereafter, the Borrower and the Association shall consult from time to time as to the future organization and functions of the Coordinating Committee.

(e) Except as the Borrower and the Association shall otherwise agree, the Borrower shall continue to comply with the arrangements as defined in the Operating Agreement which 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 described in sub-paragraph 2 of the Schedule or exceeding in the aggregate the equivalent of one hundred thousand dollars (\$100,000) to be 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 the performance by the Borrower, 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, the Central Bank or the Development Bank of their 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 livestock 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 during the continuance thereof, the Association, at its option, may declare the

principal of the Credit then outstanding to be due and payable immediately, and upon such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

*Section 5.02.* The following are specified as additional events for the purposes of paragraph (j) of the Regulations :

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

*Section 5.03.* The Borrower and the Association hereby agree that for the purposes of the development credit agreement (*Cattle Project*) dated December 26, 1963,<sup>1</sup> between the Borrower and the Association and this Development Credit Agreement an event referred to in paragraph (b) of Section 5.02 of the Development Credit Regulations No. 1 of the Association applicable to either such agreement shall be deemed to be an event under paragraph (b) of Section 5.02 of the Development Credit Regulations No. 1 of the Association applicable to the other such agreement.

## 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 amended 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.* If this Development Credit Agreement shall not have come into force and effect by July 31, 1966, this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such date.

<sup>1</sup> United Nations, *Treaty Series*, Vol. 507, p. 3.



*Article VII*

## MISCELLANEOUS

*Section 7.01.* The Closing Date shall be June 30, 1971, or such other date as shall be agreed between the Borrower and the Association as the Closing Date.

*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, D.C. 20433  
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 the second stage of a livestock development program of the Borrower and consists of:

1. The granting of loans to livestock producers for farm development.
2. The granting of loans to private enterprises for the importation of machinery and equipment required for the livestock program including machinery and equipment for a vaccine producing enterprise.
3. The provision of technical services, including transport and equipment.

It is expected that the Project will require up to four years for its implementation.

## LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF PARAGUAY

April 4, 1966

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433

*Second Livestock Project*  
*Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Second Livestock Project*) of even date between us 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 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 Gerald ALTER  
Director  
Western Hemisphere Department

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.*]