

No. 10226

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PARAGUAY**

**Development Credit Agreement—*Third Livestock Project*
(with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on
25 June 1969**

Authentic text: English.

Registered by the International Development Association on 26 January 1970.

**ASSOCIATION
INTERNATIONALE DE DÉVELOPPEMENT
et
PARAGUAY**

**Contrat de crédit de développement — *Troisième projet relatif à l'élevage* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement).
Signé à Washington le 25 juin 1969**

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 26 janvier 1970.

DEVELOPMENT CREDIT AGREEMENT ¹

AGREEMENT, dated June 25, 1969, between REPUBLIC OF PARAGUAY (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS

(A) By an agreement of even date herewith (hereinafter called the Loan Agreement),² the International Bank for Reconstruction and Development (hereinafter called the Bank) has agreed to make a loan (hereinafter called the Loan) to the Borrower in an amount in various currencies equivalent to four million three hundred thousand dollars (\$4,300,000) on the terms and conditions set forth on said Loan Agreement; and

(B) The Association has, on the basis of the foregoing, agreed to grant a credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

¹ Came into force on 24 December 1969, upon notification by the Association to the Government of Paraguay.

² See p. 59 of this volume.

³ See p. 122 of this volume.

Section 1.02. Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions (other than the term "Project") have the respective meanings therein set forth and the following additional terms 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 "Technical Director" means the livestock expert referred to in Section 4.02 of this Development Credit Agreement.
- (d) The term "Coordinating Committee" means the committee referred to in Section 4.01(b) of this Development Credit Agreement, composed of a senior officer of the Central Bank as chairman, and a representative of the Development Bank, both to be appointed in consultation with the Bank and the Association, and the Technical Director.
- (e) 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, as the same may be amended from time to time.
- (f) The term "livestock" means beef breeding cattle, dairy breeding cattle and sheep.
- (g) The term "farm development plan" means a proposal for improving the physical resources of farms, including fencing, water and stock handling facilities, drainage works, pasture improvement, breeding stock, farm houses, on-farm disease control devices and other related on-farm items or any combination thereof to be financed out of the proceeds of the Loan and the Credit.
- (h) The term "Livestock Fund" means the fund referred to in Section 4.01(b) of this Development Credit Agreement.
- (i) The term "First Livestock Project" means the project described in the Schedule to the Development Credit Agreement between the Borrower and the Association, dated December 26, 1963.¹

¹ United Nations, *Treaty Series*, vol. 507, p. 3.

- (j) The term "Second Livestock Project" means the project described in the Schedule to the Development Credit Agreement between the Borrower and the Association, dated April 4, 1966.¹
- (k) The term "Livestock Projects Division" means the division referred to in Section 4.05 of this Development Credit Agreement.
- (l) The term "Project" means the project for which the Loan and the Credit are granted as described in Schedule 2 to this Development Credit Agreement and as the description thereof shall be amended from time to time by agreement between the Borrower, the Bank and the Association.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the term and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to four million three hundred thousand dollars (\$4,300,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) 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 and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Development Credit Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement:

- (i) 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 goods or services

¹ United Nations, *Treaty Series*, vol. 582, p. 331.

included in Categories 2 and 3 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement; and

- (ii) the equivalent of sixty-five per cent (65%) or such other percentage or percentages as shall be agreed from time to time 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) for loans included in Category 1 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement.

Section 2.04. No withdrawal from the Credit Account shall be made under Categories 2 and 3 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement on account of payments in the currency of the Borrower, or for goods produced, in or services supplied from, the territories of the Borrower.

Section 2.05. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. 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.

Section 2.07. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each April 1 and October 1 commencing October 1, 1979 and ending April 1, 2019, each installment to and including the installment payable on April 1, 1989, 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 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 in accordance with the provisions of this Development Credit Agreement to expenditures on the Project.

Section 3.02. The goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with such methods and procedures as are set forth in Schedule 3 to this Development Credit Agreement, as such methods and procedures shall be modified from time to time by agreement between the Borrower and the Association.

Section 3.03. Except as the Association shall otherwise agree, the Borrower shall (i) cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project or (ii), in the case of goods included in Category 2 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement, cause the contractors to undertake that in the use of such goods preference shall be given to the needs of ranchers participating in the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall make and maintain arrangements with the Central Bank, the Development Bank and the Livestock Fund, under the Operating Agreement, for the carrying out of the Project, with due diligence and efficiency and in conformity with sound administrative, financial, agricultural and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall (i) establish and maintain, pursuant to arrangements satisfactory to the Bank and the Association, a fund to be managed by the Coordinating Committee to hold and manage all funds made available for, or accruing from, the carrying out of the First Livestock Project, the

Second Livestock Project and the Project described in Schedule 2 to this Development Credit Agreement (hereinafter called the Livestock Fund); and (ii) cause the Livestock Fund at all times to keep its cash resources in deposit with the Central Bank.

Section 4.02. The Borrower shall cause the Livestock Fund to employ a Technical Director, acceptable to the Bank and the Association, and shall second such Technical Director to the Development Bank for a period and on terms and conditions satisfactory to the Livestock Fund, the Bank and the Association.

Section 4.03. The Borrower undertakes that: (i) all loans described under Parts 1 and 2 of the Project shall be made with the approval of the Coordinating Committee, acting upon a recommendation of the Technical Director; (ii) all loans described under Part 1 of the Project shall be made with the additional prior approval of the Bank and the Association, whenever the amount of any such loan or loans made or proposed to be made to any single rancher between the date of this Development Credit Agreement and the Closing Date, shall be, in the aggregate, in excess of the equivalent of \$100,000; and (iii) unless the Bank and the Association shall otherwise agree, the portion of any loan described under Part 1 of the Project to be allocated for the purchase of livestock shall not exceed fifty per cent (50%) of the amount of such loan.

Section 4.04. Except as the Borrower, the Bank and the Association shall otherwise agree, the Borrower shall cause the Livestock Fund to use all sums paid or to be paid thereto exclusively for the purpose of continuing the financing of livestock development in the territories of the Borrower for a period of thirty years from the date of this Development Credit Agreement; provided, however, that the foregoing provisions of this Section shall not apply to sums required by the Livestock Fund to (i) service the financial obligations of the Borrower under any loan agreement or any development credit agreement between the Borrower and, respectively, the Bank or the Association, entered into for the purpose of assisting the financing of livestock development in the territories of the Borrower, and (ii) meet the reasonable costs of carrying out and administering any project of livestock development in the territories of the Borrower financed under any loan agreement or any development credit agreement between the Borrower and, respectively, the Bank or the Association, including the reasonable cost of technical services or of training of local technicians. The Borrower, the Bank and the Association shall consult from time to time as to the policies and procedures for ensuring effective use of such sums.

The provisions of this Section supersede all prior agreements between the Borrower and the Association relating to use by the Borrower of proceeds of payments received by the Borrower on account of loans granted under the First Livestock Project and the Second Livestock Project.

Section 4.05. The Borrower shall cause the Development Bank to (i) establish and maintain, under the direction of the Technical Director, a Livestock Projects Division within its Development Department, to assist in carrying out the Development Bank's obligations under the Operating Agreement; and (ii) staff such Livestock Projects Division with not less than ten full-time field technicians and such other full-time administrative staff and temporary technical advisory personnel as shall, from time to time, be necessary to properly carry out such Livestock Projects Division's functions.

Section 4.06. The Borrower shall cause the Development Bank and the Livestock Fund to (i) maintain separate accounts in respect of the First Livestock Project, the Second Livestock Project and the Project described in Schedule 2 to this Development Credit Agreement; (ii) have their financial statements (balance sheet and related statement of earnings and expenses) and such separate accounts audited annually by an accountant or accounting firm acceptable to the Bank and the Association; and (iii) promptly after the preparation of such financial statements but not later than four months after the close of the Development Bank's and the Livestock Fund's respective fiscal years, transmit to the Bank and the Association certified audited copies of such financial statements and separate accounts together with a signed copy of the accountant's or accounting firm's report.

Section 4.07. The Borrower shall (i) ensure the availability to ranchers of an adequate supply of officially tested foot-and-mouth vaccines; (ii) continue its policy of free importation of such vaccines until the supply of such vaccines produced within the territories of the Borrower is adequate to comply with the foregoing provisions of this Section; and (iii) take all necessary action to ensure that all livestock belonging to ranchers participating in the project is periodically vaccinated against foot-and-mouth disease.

Section 4.08. Unless the Bank and the Association shall otherwise agree, the Borrower shall (a) at all times establish its annual livestock slaughter quota so as to ensure and promote freedom of livestock and beef marketing for exports; (b) review the structure of the Borrower's taxes affecting production and marketing of livestock and beef so as to avoid discrimination against exports thereof; and (c) within six months from the Effective Date, exchange views with the Bank and the Association on legislative or other kind of reforms proposed pursuant to the preceding paragraph (b) of this Section and on a timetable proposed for the implementation of such reforms.

Section 4.09. The Borrower undertakes to insure or cause to be insured, or make other provision satisfactory to the Bank and the Association for the insurance of, the imported goods to be financed out of the proceeds of the Loan and the Credit or out of the proceeds of loans made under Parts 1 and 2 of the Project against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of their use or installation and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 4.10. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan and the Credit and out of the proceeds of loans made under Parts 1 and 2 of the Project, 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, administration and financial condition, in respect of the Project, of the Central Bank, the Development Bank, the Livestock Fund, the Coordinating Committee and of any department or agency of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of all works, facilities and equipment related thereto and shall enable the Bank's and the Association's representatives to inspect the Project, the goods and services financed out of the proceeds of the Loan and the Credit and out of the proceeds of loans made under Parts 1 and 2 of the Project, and any relevant records and documents.

Section 4.11. (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Loan and the Credit will be accomplished. To that end, 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 performance by the Borrower, the Central Bank, the Development Bank, the Livestock Fund, the Coordinating Committee or the Technical Director of their respective obligations under this Development Credit Agreement, the Loan Agreement and the Operating Agreement, the administration, operations and financial condition of the Central Bank, the Development Bank, the Livestock Fund, the Coordinating Committee and of any department or agency of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of all works, facilities and equipment related thereto, and other matters relating to the purposes of the Loan and the Credit.

(b) The Borrower shall furnish to the Bank and the Association all such information as the Bank and the Association shall reasonably request concerning: the expenditure of the proceeds of the Loan and the Credit and of the proceeds of loans made under Parts 1 and 2 of the Project, the goods and services financed out of such proceeds, the Project, and the administration, operations and financial condition of the Central Bank, the Development Bank, the Livestock Fund, the Coordinating Committee and of any department or agency of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of all works, facilities and equipment related thereto, and any other matters relating to the purposes of the Loan and the Credit. the maintenance of the service thereof and the general status of the Loan and 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.

(c) The Borrower shall promptly inform the Bank and the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the Credit or the maintenance of the service thereof or the performance by the Borrower, the Central Bank, the Development Bank, the Livestock Fund, the Coordinating Committee or the Technical Director of their respective obligations under this Development Credit Agreement, the Loan Agreement and the Operating Agreement.

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

Section 4.12. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.13. This Development Credit 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, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Development Credit Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately, together with the service and other charges thereon and upon any such declaration such principal, together with such charges shall become due and payable immediately, anything to the contrary in this Development Credit Agreement notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified, namely:

any event specified in Section 5.03 of this Development Credit 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.

Section 5.03. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

- (a) Law No. 710 of the Borrower, dated July 25, 1961, shall have been suspended, terminated, repealed or amended, without the prior agreement of the Bank and the Association.
- (b) The Operating Agreement shall have been suspended, terminated, repealed or amended, without the prior agreement of the Bank and the Association.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01(b) of the General Conditions, namely:

the conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, subject only to the effectiveness of this Development Credit Agreement.

Section 6.02. The date of September 30, 1969, is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 3.03, 4.01 (b), 4.02, 4.05, 4.06, 4.07 and 4.08(a) and (b) of this Development Credit Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on October 1, 1999, whichever shall be earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1972 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The *Ministro de Hacienda* of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda
Asunción, Paraguay

Alternative address for cables:

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:

Indevas

Washington, D.C.

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 cables:

Intbafrad

Washington, D.C.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Paraguay:

By Roque AVILA

Authorized Representative

International Development Association:

By J. Burke KNAPP

Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF THE CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Loans for farm development	4,000,000
2. Imported machinery and equipment	65,000
3. Technical services for Parts 3 and 4 of the Project, including transport and equipment, and training of local technicians	60,000
4. Unallocated	175,000
	<u>TOTAL: 4,300,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 to 3 shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category 4.

2. If the estimate of the cost of the items included in any of the Categories 1 to 3 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category 1, an amount equal to 65% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category 4, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the third stage of a livestock development program of the Borrower and consists of:

1. The granting of loans to about 500 ranchers to help financing farm development plans.

2. The granting of loans to contractors for the importation of machinery and equipment required to carry out farm development plans.
3. Provision to ranchers of technical services to assist in the preparation and implementation of farm development plans.
4. Pasture research, including fertilizer and grazing management trials.
5. Training of local technicians.

SCHEDULE 3

PROCEDURES FOR THE PROCUREMENT OF GOODS AND SERVICES REFERRED TO IN SECTION 3.02 OF THIS DEVELOPMENT CREDIT AGREEMENT

1. Goods (other than livestock) and services required to carry out farm development plans shall be procured by ranchers through normal commercial channels available in the territories of the Borrower.

2. Purchases of livestock required by ranchers to carry out farm development plans, whether imported or domestic, shall be subject to the approval of the Technical Director as regards price, quality, source and animal health standards.

3. Machinery and equipment required to carry out farm development plans and to be financed out of the proceeds of the Credit allocated to Category 2 of Schedule 1 to this Development Credit Agreement, shall be procured by contractors, in accordance with sound commercial procurement practices, from suppliers with efficient servicing facilities and sufficient spare parts stocks located and available within the territories of the Borrower.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]