

No. 10825

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

Loan Agreement—*Second Road Maintenance Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 9 January 1970

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 23 November 1970.

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

Contrat d'emprunt — *Deuxième projet relatif à l'entretien du réseau routier* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 9 janvier 1970

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 23 novembre 1970.

LOAN AGREEMENT¹

AGREEMENT, dated January 9, 1970, between REPUBLIC OF PARAGUAY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

(a) "Vialidad" means Dirección General de Vialidad, organized and existing under Law No. 75 of the Borrower, dated July 17, 1969, and includes any successor or successors to Vialidad; and

(b) "Earmarking Arrangements" means the arrangements providing for the allocation of certain tax revenues of the Borrower pursuant to Decree No. 7261 of the Borrower, dated September 5, 1969, as the same may be amended from time to time.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to six million dollars (\$6,000,000).

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

¹ Came into force on 25 August 1970, upon notification by the Bank to the Government of Paraguay.

² See p. 164 of this volume.

(b) 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, the Loan Agreement and in accordance with the Allocation of Proceeds of the Loan set forth in Schedule 1 to this Loan 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 Bank.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of seven per cent (7 %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Loan Agreement to expenditures on the Project described in Schedule 3 to this Loan Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Loan Agreement or as shall be agreed between the Borrower and the Bank.

Section 3.03. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 4.02. The *Ministro de Hacienda* of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out or cause Vialidad to carry out the Project with due diligence and efficiency and in conformity with sound highway maintenance, engineering, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) To assist in the carrying out of the Project, the Borrower shall employ or cause Vialidad to employ competent and experienced consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

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

Section 5.02. (a) The Borrower and the Bank shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank 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 this Loan Agreement, the administration, operations and financial condition with respect to the Project of Vialidad and of any other agency or agencies 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 other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods and services financed out of such proceeds, the Project, the national roads of the Borrower and the administration, operations and financial condition of Vialidad and of any other agency or agencies 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 any other matters relating to the purposes of the Loan, the maintenance of the service thereof and the general status of the Loan. 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 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, Vialidad or any other agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof of their respective obligations under this Loan Agreement.

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

Section 5.03. 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, 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 administration, operations and financial condition of Vialidad and of any other agency or agencies 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 representatives to inspect the Project, the goods financed out of the proceeds of the Loan, the national roads of the Borrower and any other relevant records and documents.

Section 5.04. The Borrower undertakes to insure or cause to be insured, or make other provision satisfactory to the Bank for the insurance of, the imported goods to be financed out of the proceeds of the Loan 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 5.05. It is the mutual intention of the Borrower 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 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 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; 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.

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

Section 5.06. 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, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories; 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 Borrower.

Section 5.07. This Loan Agreement and the Bonds 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 and the Borrower shall pay all such 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.

Section 5.08. (a) The Borrower shall : (i) cause all national roads of the Borrower to be adequately maintained and cause necessary repairs thereof to be made, all in accordance with sound engineering practices; (ii) cause all road maintenance equipment and workshops of the Borrower to be adequately maintained and cause all necessary repairs and renewals thereof to be made, all in accordance with sound engineering practices; and (iii) provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing.

(b) Without limiting the generality of the foregoing, the Borrower shall take all necessary action to : (i) cause the dimensions and weight of the vehicles using the national roads of the Borrower to be kept within the limits provided by the laws and regulations of the Borrower; (ii) ensure permanent and consistent enforcement of such laws and regulations; and (iii) consult with the Bank on any proposal to amend or supplement such laws and regulations.

Section 5.09. The Borrower shall agree with the Bank on a timetable for the carrying out of Part II of the Project and shall carry out such Part in accordance with such time-table.

Section 5.10. The Borrower shall enter into an agreement, satisfactory to the Borrower and the Bank, with such institution as shall be acceptable to the Borrower and the Bank, or make alternative arrangements satisfactory to the Borrower and the Bank, for the provision to the Borrower of technical assistance to improve transport planning by (a) establishing and starting operation of an appropriate organization for transport policy formulation and co-ordination; (b) developing technical and economic data and criteria for the foregoing; (c) establishing a system for the collection and analysis of information on various transport modes within the territories of the Borrower; and (d) identifying priority investments for transportation within the territories of the Borrower.

Section 5.11. Upon completion and receipt of the study on the economic viability of the Borrower's railways, included among the studies to be carried out under Part 2 of the Project described in Schedule 2 to the loan agreement between the Borrower and the Bank, dated April 4, 1966,¹ the Borrower shall undertake consultations with the Bank on the findings of such study and the implementation of any recommendations contained therein.

Section 5.12. The Borrower shall cause Vialidad to : (a) establish, not later than June 30, 1971, and maintain an adequately staffed and equipped office to collect, record and analyze, in accordance with sound statistical methods and procedures, such technical, economic and financial information as shall be required for the proper planning of maintenance, improvement and expansion of the national roads of the Borrower; and (b) establish, not later than December 31, 1970, and maintain, accounting procedures and formats, including *inter alia* provision for maintenance equipment depreciation, as shall be required to (i) reflect the actual cost of maintaining the national roads of the Borrower and (ii) provide a sound basis for the evaluation of road maintenance equipment requirements.

¹ United Nations, *Treaty Series*, vol. 570, p. 41.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified, namely :

the Earmarking Arrangements shall have been suspended, terminated, repealed or amended, without the prior agreement of the Bank and such event shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

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 11.01 (c) of the General Conditions, namely, the Borrower shall have taken all necessary action to comply with the provisions of Section 5.01 (b) of this Loan Agreement.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely : that any agreement entered into as required in Section 7.01 of this Loan Agreement is valid and binding under the laws of the Borrower and that all conditions prior to its effectiveness have been fulfilled, subject only (if so provided therein) to the effectiveness of this Loan Agreement.

Section 7.03. The date of May 1, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1973, or such other date as shall be agreed between the Borrower and the Bank.

Section 8.02. The *Ministro de Hacienda* of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 8.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

Ministerio de Hacienda
Asunción, Paraguay

Cable address :

Minhacienda
Asunción

For the Bank :

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

Cable address :

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 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 J. AVILA
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Road Maintenance, Workshop and Control Equipment and Spare Parts therefor and for existing equipment.	4,800,000
II. Consulting Services for the Project.	350,000
III. Staff Training Abroad.	50,000
IV. Unallocated.	800,000
TOTAL	\$6,000,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimated cost of the goods and services included in any of the Categories I to III shall decrease, the amount of the Loan then allocated to, and no longer required for such Category, will be reallocated by the Bank to Category IV.

2. If the estimate of the cost of the items included in any of the Categories I to III shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan will be allocated by the Bank, at the request of the Borrower, to such Category from Category IV, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
February 1, 1974	100,000	August 1, 1982	180,000
August 1, 1974	105,000	February 1, 1983	185,000
February 1, 1975	105,000	August 1, 1983	190,000
August 1, 1975	110,000	February 1, 1984	200,000
February 1, 1976	115,000	August 1, 1984	205,000
August 1, 1976	120,000	February 1, 1985	210,000
February 1, 1977	120,000	August 1, 1985	220,000
August 1, 1977	125,000	February 1, 1986	225,000
February 1, 1978	130,000	August 1, 1986	235,000
August 1, 1978	135,000	February 1, 1987	245,000
February 1, 1979	140,000	August 1, 1987	250,000
August 1, 1979	145,000	February 1, 1988	260,000
February 1, 1980	150,000	August 1, 1988	270,000
August 1, 1980	155,000	February 1, 1989	280,000
February 1, 1981	160,000	August 1, 1989	290,000
August 1, 1981	165,000	February 1, 1990	305,000
February 1, 1982	170,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1 %
More than three years but not more than six years before maturity	2 %
More than six years but not more than eleven years before maturity	3 1/4 %
More than eleven years but not more than sixteen years before maturity	5 %
More than sixteen years but not more than eighteen years before maturity	6 %
More than eighteen years before maturity	7 %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of a four year program of the Borrower for the continuation, improvement and expansion of road maintenance operations on the national roads of the Borrower (excluding Maintenance District No. 5) and includes :

- I. Acquisition of road maintenance, workshop and control equipment and spare parts for the foregoing and for existing equipment.
- II. Extension and improvement of workshop facilities at :

<i>Maintenance District</i>	<i>Location</i>
No. 1	San Lorenzo
No. 2	San Estanislao
No. 3	San Ignacio
No. 4	Loreto
- III. A personnel recruitment program for Vialidad as set forth in Exhibit A to this Schedule, as the same may be amended from time to time by agreement between the Borrower and the Bank.
- IV. A training program for Vialidad personnel in Paraguay and abroad.
- V. A program for the improvement of the organization, administration and operations of Vialidad, including *inter alia* :
 - (a) improvements in the operation of equipment and workshops;
 - (b) establishment of a cost accounting system;
 - (c) improvement and extension of budgetary methods, programming and administrative procedures;
 - (d) establishment of testing facilities for soils and materials;
 - (e) establishment of up-to-date inventories of roads and road maintenance and workshop equipment;
 - (f) determination of road maintenance requirements in Maintenance District No. 5, in the event such District is transferred to Vialidad; and
 - (g) review and amendment, if necessary, of legislation concerning road maintenance in the territories of the Borrower.

EXHIBIT "A"

PARAGUAY. SECOND HIGHWAY MAINTENANCE PROJECT

FOUR-YEAR MAINTENANCE PROGRAM (1970-1973)

Vialidad Personnel Requirements

Headquarters (H), Districts (D), District Shops (DS), Main Shops (MS)

<i>Categories</i>	<i>1969</i>				<i>1970</i>				<i>1973</i>			
	(H)	(D)	(DS)	(MS)	(H)	(D)	(DS)	(MS)	(H)	(D)	(DS)	(MS)
<i>Maintenance and Equipment</i>												
<i>Departments and Districts</i>												
Engineers-in-Charge	1	4	—	1	1	4	—	1	1	4	—	1
Engineers	—	—	—	—	4	4	—	1	4	4	—	1
Technicians	1	3	—	1	4	—	9	7	4	—	9	7
Administrative	2	32	—	10	47	52	—	21	47	52	—	21
Skilled	11	75	17	28	50	92	52	61	54	130	58	62
Unskilled	21	287	14	45	47	373	2	29	50	447	5	38
<i>Engineering Department</i>												
Engineers-in-Charge	1				1				1			
Engineers	2				6				11			
Technicians	7				10				10			
Administrative	12				11				11			
Skilled	10				2				2			
Unskilled	7				1				5			
<i>Administration Department</i>												
Chief	1				1				1			
Technicians	2				—				—			
Administrative	8				15				17			
Specialized	10				16				16			
Unskilled	—				2				3			

SCHEDULE 4

PROCEDURES REFERRED TO IN SECTION 3.02 OF THIS LOAN AGREEMENT FOR THE PROCUREMENT OF GOODS INCLUDED IN CATEGORY I OF SCHEDULE 1 TO THIS LOAN AGREEMENT

1. The goods shall be procured under such terms of delivery as shall be consistent with the timetable referred to in Section 5.09 of this Loan Agreement.

2. Whenever the cost of any good or any group of goods shall not exceed the equivalent of \$5,000, the Borrower may, at its option, procure them on the basis of bidding limited to suppliers established within the territories of the Borrower; provided, however, that purchases made in accordance with such procedure shall not exceed, in the aggregate, the equivalent of \$500,000.

3. The interval between the invitation to bid and the opening of bids shall be not less than forty-five days.

4. Prior to the invitation to bid, Vialidad shall prepare, with the assistance of consultants, and submit to the Bank for its approval, lists of the goods to be procured, including specifications, grouping for purposes of paragraph 2 above, and the estimated unit and total cost thereof, and

(a) in the case of goods referred to in paragraph 2 above, the names of the proposed suppliers; and

(b) in the case of all other goods, copies of advertising coverage and of the tender documents.

5. Prior to the award of any contract for the supply of goods, Vialidad shall send to the Bank :

(a) a summary of all bids received;

(b) the consultant's evaluation of such bids and their recommendation for award; and

(c) the Borrower's comments plus :

(i) in the case of goods referred to in paragraph 2 above, the Borrower's decision for award; and

(ii) in the case of all other goods, the Borrower's proposal for award for approval by the Bank.

6. After the award of any contract, but prior to the submission of any withdrawal application relating to expenditures thereunder, Vialidad shall send a conformed copy thereof to the Bank.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]