

No. 8287

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

**Loan Agreement—*Second Road Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 4 April 1966**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 1 August 1966.*

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

**Contrat d'emprunt — *Deuxième projet de construction de routes* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 4 avril 1966**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 1<sup>er</sup> août 1966.*

No. 8287. LOAN AGREEMENT<sup>1</sup> (*SECOND ROAD PROJECT*)  
BETWEEN THE REPUBLIC OF PARAGUAY AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT. 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 BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*Article I*

LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 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 Loan Regulations No. 3, 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 one hundred thousand dollars (\$2,100,000).

*Section 2.02.* 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. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement.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.* (a) The Borrower shall be entitled to withdraw from the Loan Account : (i) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of such

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<sup>1</sup> Came into force on 20 July 1966, upon notification by the Bank to the Government of Paraguay.

<sup>2</sup> See p. 58 of this volume.

amounts as shall have been paid or, if the Bank shall so agree, as shall be required to meet payments to be made for the reasonable cost of construction work required for carrying out the part of the Project described in paragraph 1 of Schedule 2 to this Agreement and to be financed under this Loan Agreement; and (ii) such amounts as shall have been paid or, if the Bank shall so agree, as shall be required to meet payments to be made for the reasonable foreign exchange cost of other goods required for carrying out the Project and to be financed under this Loan Agreement.

(b) Unless the Bank shall otherwise agree, the term “ foreign exchange cost ”, for the purposes of this Section, shall exclude expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

(c) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made on account of (i) expenditures prior to January 1, 1966, or (ii) expenditures 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.* Withdrawals pursuant to paragraph (a) (i) of Section 2.03 shall be made in such currency or currencies as the Bank shall from time to time reasonably select.

*Section 2.05.* 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 2.06.* The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.07.* Except as the Borrower and the Bank 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 commitment outstanding from time to time.

*Section 2.08.* Interest and other charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.09.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

*Article III*

## USE OF PROCEEDS OF THE LOAN

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

*Section 3.02.* Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower 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 *Ministro de Hacienda* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

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

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

(c) Except as the Bank shall otherwise agree, the road and structures referred to in paragraph 1 of Schedule 2 to this Agreement shall be constructed or improved by contractors acceptable to the Borrower and the Bank, employed under contracts satisfactory to the Bank.

(d) The general design standards and the type of surfacing to be used for the road and structures referred to in paragraph 1 of Schedule 2 to this Agreement shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

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

*Section 5.02.* The Borrower shall maintain or cause to be maintained 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 with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and 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 Project, the goods, and the operations, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of the main road network.

*Section 5.03.* (a) The Borrower 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 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.

(b) 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 the Loan Agreement, the operations, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of the main road network and other matters relating to the purposes of the Loan.

(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 or the maintenance of the service thereof.

*Section 5.04.* 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 5.05.* 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 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 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.* The 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.* 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 Borrower or laws in effect in its territories.

*Section 5.09.* The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their acquisition and importation into the territories of the Borrower.

*Section 5.10.* The Borrower shall cause the main road network within the jurisdiction of the Highway Department or any other institution performing the functions of a highway department for the Borrower to be adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

*Section 5.11.* The Borrower shall take all such action as shall be reasonably required to assure that the dimensions and axle-loads of vehicles using the main road network within the jurisdiction of the Highway Department or any other institution performing the functions of a highway department for the Borrower, shall be kept within limits satisfactory to the Bank. The Borrower shall consult with the Bank before enacting laws and regulations with respect to the dimensions and axle-loads of said vehicles.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations or Section 6.02 of this 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 any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* The following additional event is specified for the purposes of paragraph (h) of Section 5.02 of the Loan Regulations :

A default shall have occurred in the payment of principal or service charges or any other payment required under any development credit agreement between the Borrower and the International Development Association.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1969, or such other date as shall be agreed between the Borrower and the Bank as the Closing Date.

*Section 7.02.* If the Loan Agreement shall not have come into force and effect by July 31, 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 later date.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Ministerio de Hacienda  
Asunción, Paraguay

Alternative address for cables and radiograms :

Minhacienda  
Asunción

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 and radiograms :

Intbafrad  
Washington, D.C.

*Section 7.04.* The Ambassador of Paraguay to the United States is designated for the purposes of Section 8.03 of the Loan Regulations.

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.

Republic of Paraguay :  
*By* Juan PLATE  
Authorized Representative

International Bank for Reconstruction and Development :  
*By* J. Burke KNAPP  
Vice President



## SCHEDULE I

## 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 15, 1971	40,000	February 15, 1979	65,000
August 15, 1971	45,000	August 15, 1979	70,000
February 15, 1972	45,000	February 15, 1980	70,000
August 15, 1972	45,000	August 15, 1980	75,000
February 15, 1973	45,000	February 15, 1981	75,000
August 15, 1973	50,000	August 15, 1981	80,000
February 15, 1974	50,000	February 15, 1982	80,000
August 15, 1974	50,000	August 15, 1982	85,000
February 15, 1975	55,000	February 15, 1983	85,000
August 15, 1975	55,000	August 15, 1983	90,000
February 15, 1976	55,000	February 15, 1984	90,000
August 15, 1976	60,000	August 15, 1984	95,000
February 15, 1977	60,000	February 15, 1985	95,000
August 15, 1977	60,000	August 15, 1985	100,000
February 15, 1978	65,000	February 15, 1986	100,000
August 15, 1978	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>Premium</i>
Not more than three years before maturity	½%
More than three years but not more than six years before maturity	1½%
More than six years but not more than eleven years before maturity	2½%
More than eleven years but not more than sixteen years before maturity	3½%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project consists of :

1. The improvement and paving of the gravel road from Coronel Oviedo to Villarrica (about 43 km), including bridge structures.
2. Feasibility studies and final engineering of about 400 kilometers of all-weather roads in southeastern Paraguay, the particular roads to be studied and engineered to be selected by agreement between the Borrower and the Bank.

The Project is scheduled for completion by the end of 1968.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS, No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[ *Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.* ]