

No. 2085. LOAN AGREEMENT (*AGRICULTURAL PROJECT*) BETWEEN THE REPUBLIC OF PARAGUAY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 7 DECEMBER 1951<sup>1</sup>

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LETTER-AGREEMENT<sup>2</sup> RELATING TO THE ABOVE-MENTIONED AGREEMENT. SIGNED AT WASHINGTON, ON 12 JANUARY AND 14 MARCH 1955

*Official text : English.*

*Registered by the International Bank for Reconstruction and Development on 15 August 1956.*

January 12, 1955

Republic of Paraguay  
Banco del Paraguay  
Asunción, Paraguay

Gentlemen :

As we have previously advised you, we are prepared to make the remaining \$3,100,000 aggregate principal amount of the loan provided for in the Loan Agreement dated December 7, 1951,<sup>1</sup> between us, available for disbursement in installments as set out below, subject to your agreement on the following :

- I. As used in this letter terms shall have the meaning provided in such Loan Agreement.
- II. \$250,000 equivalent of the Loan shall be used by Banco del Paraguay to finance the purchase and importation of fence wire suitable for cattle raisers.
- III. \$575,000 equivalent shall be used by CAH to finance the purchase and importation of agricultural implements and supplies needed to carry out the Project. The specific goods to be purchased out of this portion of the Loan shall be determined by agreement between the Borrower and the Bank.
- IV. \$875,000 equivalent shall be used by Banco del Paraguay to finance the purchase and importation of tractors and heavy agricultural equipment together with spare parts. The specific goods to be purchased out of this portion of the Loan shall be determined by agreement between the Borrower and the Bank.

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<sup>1</sup> United Nations, *Treaty Series*, Vol. 159, p. 103.

<sup>2</sup> Came into force on 14 March 1955 by signature.

- V. \$1,300,000 equivalent shall be used by the Ministerio de Obras Públicas y Comunicaciones to finance the purchase and importation of highway construction equipment and materials and of equipment for improvement of river channels and ports. The specific goods to be purchased out of this portion of the Loan shall be determined by agreement between the Borrower and the Bank.
- VI. \$100,000 equivalent shall be reserved for contingencies, to be used, as the Bank may agree, to finance the purchase and importation of goods of types which are to be financed under Paragraphs II, III, IV or V.
- VII. The Description of the Project, Schedule 2 to the Loan Agreement, shall be amended to read as follows :

“The project is a part of a program of the Borrower for the expansion of agricultural production and the improvement of transportation in Paraguay.

(a) Agricultural Equipment and Supplies

Farm tools, farm machinery, insecticides, veterinary supplies, fertilizers and fence wire will be purchased and imported into Paraguay and will there be utilized solely for agricultural purposes. Such materials and equipment will be disposed of and utilized by one of the following methods :

- (1) The Commercial Department or the Agricultural Credit Department will sell to farmers or farm colonies for cash or on credits to be extended by the Agricultural Credit Department ;
- (2) CAH will sell to farmers or farm colonies for cash or on credits to be extended by CAH ;
- (3) (a) A pool of machinery and equipment will be established at Pirareta for the servicing of agricultural lands through the plowing, discing, terracing and training of land, the sowing, cultivating and harvesting of crops, the sorting and cleaning of grains, the drying of grains for storage, and the spraying and dusting of crops with insecticides ; such pool will be administered under the direction of the Ministerio de Agricultura y Ganaderia ;  
  
(b) A repair shop for agricultural equipment will be established and maintained at Pirareta ; spare parts for farm tractors and implements will be kept in stock.
- (4) Trucks will be purchased and imported into Paraguay and will there be maintained and operated by the Commercial Department in connection with its agricultural operations and for the transportation of agricultural commodities from farm to market.

The portion of the proceeds of the Loan which may be expended on account of the cost of goods to be utilized in each of the categories listed above shall be as agreed between the Borrower and the Bank.

(b) Transportation

- (1) Road building equipment and materials will be imported into Paraguay. During the period through 1957 the Ministerio de Obras Públicas y Comunicaciones will construct, complete and maintain approximately 700 kilometers of graded roads, with adequate bridges and drainage, to connect the agricultural regions of eastern Paraguay with marketing and transportation centers. The specific roads to be constructed and maintained will be determined by agreement between the Borrower and the Bank, and the list of such roads may be modified from time to time by agreement between them.
- (2) The road from San Lorenzo to Paraguari will be paved with asphalt over the existing Telford base.
- (3) Suitable shops and facilities under the supervision of trained master mechanics will be maintained for the repair and servicing of road-building equipment purchased with the proceeds of the Loan. Technical personnel for the repair and maintenance of such equipment will be trained.
- (4) The Ministerio de Obras Públicas y Comunicaciones will carry out a program for improving river transportation. A suction dredge will be purchased and will be used to improve and maintain river channels and to clear port areas. A port construction barge will be purchased and will be used as a piledriver boat, a rock-drill barge or a crane boat, as may be necessary, for dredging and for the improvement of ports. The specific operations to be carried out will be determined by agreement between the Borrower and the Bank."

- VIII. The Borrower shall employ such number of technicians, satisfactory to the Bank, and to be retained for such periods, as may be agreed between the Borrower and the Bank, to assist in carrying out the river improvement and road program of the Ministerio de Obras Públicas y Comunicaciones.
- IX. The Borrower shall cause all its machinery and equipment for highway and river improvement, maintenance and construction to be adequately maintained and repaired. It shall also cause the roads constructed with the proceeds of the Loan to be adequately maintained and repaired in accordance with sound engineering principles.
- X. During each of the years 1955, 1956, 1957 and 1958 the Borrower shall provide, promptly as needed, through budgetary appropriation or otherwise, sufficient sums in guaranies to enable the Borrower to carry out the portions of the Project relating to road and river transportation. The present estimate of the aggregate amount required over such 4-year period is 150,000,000 guaranies. The Borrower shall consult with the Bank from time to time concerning the amounts needed to enable it to carry out such portions of the project.
- XI. Within 30 days after the signature of this agreement on behalf of the Borrower, Banco del Paraguay shall transfer to a special account in the name of the Comisión

de Compras established by Decree Law No. 13 of February 26, 1952 the amounts of guaranies then existing in the revolving fund established pursuant to Section 5.08 (b) of the Loan Agreement. On the first of each month thereafter Banco del Paraguay shall transfer to such special account any guaranies in such revolving fund until the aggregate amount so transferred equals the equivalent of \$ 275,000. Amounts in such special account shall, promptly as needed, be converted by Banco Central del Paraguay into the foreign exchange required to purchase agricultural implements and supplies appropriate for use by CAH in carrying out the Project and shall be used for no other purpose. The specific goods to be purchased with such funds shall be agreed between the Borrower and the Bank. Upon arrival in Paraguay of such goods, they shall become the property of CAH, and the equivalent in guaranies of the foreign exchange cost of such goods shall be retained by CAH for use as set forth in Section 5.08 (a) of the Loan Agreement.

For purposes of Paragraph XI the rate of exchange between guaranies and any other currency shall be the rate of exchange at the date of such conversion which is available to CAH for importation of goods to be purchased pursuant to Paragraph XI.

- XII. A. Withdrawals may not be made from the Loan Account in respect of goods to be purchased pursuant to Paragraph II until the Borrower shall have furnished to the Bank evidence satisfactory to the Bank that arrangements satisfactory to the Bank have been made for distributing the wire to cattle raisers, and the Bank shall have notified the Borrower of its acceptance of such evidence.
- B. Withdrawals may not be made from the Loan Account in respect of goods to be purchased pursuant to Paragraph IV, Paragraph V or Paragraph VI until the Borrower shall have furnished to the Bank evidence satisfactory to the Bank that the execution and delivery of the agreements contained in this letter have been duly authorized or ratified by all necessary governmental action. Such evidence shall include an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing that such agreements have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitute valid and binding obligations of the Borrower in accordance with their terms.
- C. In addition, withdrawals may not be made from the Loan Account in respect of goods to be purchased pursuant to Paragraph IV until the Borrower shall have furnished to the Bank evidence satisfactory to the Bank that arrangements satisfactory to the Bank have been made for purchasing, selling, operating and servicing the machinery referred to.
- D. Withdrawals may not be made from the Loan Account in respect of goods to be purchased pursuant to Paragraph V,

- (a) for the road program, until arrangements satisfactory to the Bank have been made for construction of necessary bridges on the road between Coronel Bogado and Encarnación ; or
- (b) for improvement of river channels and ports, until the Borrower shall have submitted to the Bank plans and specifications for the goods to be purchased, and the Bank shall have notified the Borrower that such plans and specifications are satisfactory.
- E. Amounts shall become available for disbursement on the basis of the lists of goods agreed to pursuant to Paragraphs IV, V and VI hereof on the date when the Bank notifies the Borrower of its acceptance of the evidence required under subparagraphs B, C and D of Paragraph XII.

XIII. The Closing Date shall be November 1, 1955.

XIV. The commitment charge provided for in Section 2.04 of the Loan Agreement shall accrue from the date on which this letter is signed on behalf of the Borrower.

Very truly yours,

International Bank for Reconstruction  
and Development:

by J. Burke KNAPP  
Director of Operations  
Western Hemisphere

*Confirmed :*

Dated : March 14, 1955  
Republic of Paraguay  
by Guillermo ENCISO VELLOSO  
Authorized Representative