Project Agreement

(Livestock and Agricultural Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

BANCO CENTRAL DEL PARAGUAY

Dated April 6, 1979
PROJECT AGREEMENT

AGREEMENT, dated April 6, 1979, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO CENTRAL DEL PARAGUAY (hereinafter called Banco Central).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Paraguay (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-five million dollars ($25,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Banco Central agree to undertake such obligations toward the Bank as are hereinafter set forth;

(B) by a subsidiary loan agreement to be entered into between the Borrower and Banco Central, the proceeds of the loan provided for under the Loan Agreement for purposes of Part A of the Project will be lent to Banco Central for utilization by Fondo Ganadero in carrying out such Part A of the Project; and

WHEREAS Banco Central, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of Part A of the Project

Section 2.01. Banco Central shall carry out Part A of the Project described in Schedule 2 to the Loan Agreement through its Fondo Ganadero with due diligence and efficiency and in conformity
with appropriate administrative and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 2.02. In order to assist Fondo Ganadero in the carrying out of Part A of the Project, Banco Central shall cause Fondo Ganadero to:

(a) establish within Fondo Ganadero and, except as the Bank shall otherwise agree, maintain adequately staffed and funded thereafter, a livestock extension unit (hereinafter called the Livestock Extension Unit) for providing assistance to the clients of Fondo Ganadero which, inter alia, shall: (i) in coordination with existing institutions of the Borrower providing related services to the livestock sector, prepare extension programs and methods which shall include dissemination of information about livestock production and promotion of livestock extension, both by means of the mass media; (ii) approve the selection of and control the work of consultants rendering services to Beneficiaries on Large and Medium-Size Ranches; (iii) advise Fondo Ganadero in the use of technical assistance services available under Part D.1 of the Project; and (iv) ensure that Part A.1 Beneficiaries receive adequate livestock extension services during and after completion thereof, provided that, in the case of Large and Medium-Size Ranches, such services will be rendered, if necessary, through consultants employed by the Beneficiaries themselves; and

(b) employ within the Livestock Extension Unit a livestock extension specialist, and not less than six livestock production specialists, all of whose qualifications, experience, and terms and conditions for employment shall be satisfactory to the Bank.

Section 2.03. Banco Central shall cause Fondo Ganadero: (a) to assign and station an adequate number of field technicians to its local branches for such periods and on such terms and conditions as may be necessary for such field technicians: (i) to receive and process Sub-loan applications; (ii) to supervise each Livestock Investment Project; and (iii) to assist Part A.1 Beneficiaries in the application of improved management practices; and (b) to appraise each Sub-loan application in terms of managerial capabilities of such Beneficiaries, technical, financial and environmental soundness of the Livestock Investment Project in question.
Section 2.04. Except as the Bank shall otherwise agree, Banco Central shall cause Fondo Ganadero: (a) to provide its field technicians with adequate transportation facilities; and (b) to provide funds sufficient for: (i) fuel and maintenance expenses for such transportation facilities, when owned by Fondo Ganadero; and (ii) offices for, and air travel by, such field technicians.

Section 2.05. Banco Central shall:

(a) maintain Fondo Ganadero with authority to hold, manage and reinvest all funds made available for, or accruing from, the carrying out of Parts A.1 and A.2 of the Project described in Schedule 2 to the Loan Agreement;

(b) pursuant to the provisions of paragraph (a) of this Section, credit Fondo Ganadero with the proceeds of the Loan made available to Banco Central under the Banco Central Subsidiary Loan Agreement; and

(c) duly perform all its obligations under the Banco Central Subsidiary Loan Agreement. Except as the Bank may otherwise agree, Banco Central shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Banco Central Subsidiary Loan Agreement or any provision thereof.

Section 2.06. Except as the Bank shall otherwise agree, Banco Central shall cause Fondo Ganadero to use all monies repaid under its Sub-Loans exclusively for the purpose of financing livestock development; provided, however, that the foregoing provisions of this Section shall not apply to sums required by Fondo Ganadero to service the financial obligations to Banco Central under the Banco Central Subsidiary Loan Agreement. Banco Central and the Bank shall consult from time to time as to the policies and procedures for ensuring effective use of such sums.

Section 2.07. Except as the Bank shall otherwise agree, Banco Central shall cause Fondo Ganadero to make Sub-loans to Part A.1 Beneficiaries for Livestock Investment Projects in accordance with the operating policies and procedures set forth in Schedule 2 to this Agreement.

Section 2.08. Banco Central shall:

(a) cause Fondo Ganadero to make Sub-loans on terms whereby Fondo Ganadero shall obtain, by written contract with each Part A.1 Beneficiary or by other appropriate legal means, rights
adequate to protect the interests of the Borrower, the Bank, Banco Central and Fondo Ganadero, including in the case of any such Sub-loan, the right of Fondo Ganadero: (i) to require the Part A.1 Beneficiary to carry out and operate the Livestock Investment Project with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to establish and maintain adequate records; (ii) to require that (A) the goods and services to be financed out of the proceeds of the Loan shall be purchased through regular commercial channels, at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them and (B) such goods and services shall be used exclusively in the carrying out of the Livestock Investment Project; (iii) to inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Livestock Investment Project, the operation thereof, and any relevant records and documents; (iv) to require that: (A) such Beneficiary shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (B) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by such Beneficiary to replace or repair such goods; (v) to obtain all such information as the Borrower, the Bank, Banco Central, or Fondo Ganadero shall reasonably request relating to the foregoing and to the administration, operations and financial condition of such Beneficiary; and (vi) to suspend or terminate the right of such Beneficiary to the use of the proceeds of the Sub-loan upon failure by such Beneficiary to perform its obligations under its contract with Fondo Ganadero; and

(b) cause Fondo Ganadero to exercise its rights in relation to each Livestock Investment Project in such manner as: (i) to protect the interests of the Borrower, the Bank, Banco Central, and Fondo Ganadero, and (ii) to achieve the purposes of the Project.

Section 2.09. Banco Central shall cause Fondo Ganadero to furnish to the Bank, for approval, any proposed Sub-loan which
by itself or together with any other loan made to the same Part
A.1 Beneficiary during the five-year period preceding the date of
the application of such Sub-loan shall exceed the equivalent
of one hundred thousand dollars ($100,000).

Section 2.10. Except as the Bank shall otherwise agree,
procurement of the goods and civil works required for Parts A.2
and A.3 of the Project to be financed out of the proceeds of the
Loan shall be governed by the provisions of Schedule 1 to this
Agreement.

Section 2.11. (a) Banco Central undertakes to insure, or
make adequate provision for the insurance of, the imported goods
to be financed, for purposes of Parts A.2 and A.3 of the Project,
out of the proceeds of the Loan made available to it by the
Borrower against hazards incident to the acquisition, transpor-
tation and delivery thereof to the place of use or installation,
and for such insurance any indemnity shall be payable in a cur-
rency freely usable by Banco Central to replace or repair such
goods.

(b) Except as the Bank shall otherwise agree, Banco Central
shall cause all goods and services financed, for purposes of Part
A of the Project, out of the proceeds of the Loan made available
to it by the Borrower to be used exclusively for the Project.

Section 2.12. (a) Banco Central shall cause Fondo Ganadero to
furnish to the Bank, promptly upon their preparation, the plans,
specifications, reports, contract documents and work and procure-
ment schedules for Part A of the Project, and any material modifi-
cations thereof or additions thereto, in such detail as the Bank
shall reasonably request.

(b) Banco Central shall: (i) cause Fondo Ganadero to main-
tain records and procedures adequate to record and monitor the
progress of Part A of the Project (including their costs and the
benefits to be derived therefrom), to identify the goods and
services financed out of the proceeds of the Loan (or under
Sub-loans), and to disclose their use in the Project; (ii) enable
the Bank's accredited representatives to visit the facilities and
sites included in the Livestock Investment Projects and to examine
the goods financed out of the proceeds of the Loan (or under
Sub-loans) and any relevant records and documents; and (iii)
furnish to the Bank at regular intervals all such information
as the Bank shall reasonably request concerning Part A of the
Project, their costs and, where appropriate, the benefits to be derived therefrom, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Promptly after completion of Part A of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between Banco Central or Fondo Ganadero and the Bank, Banco Central shall cause Fondo Ganadero to prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and operation of Part A of the Project, their costs and the benefits derived and to be derived from them, the performance by Banco Central, Fondo Ganadero and the Bank of their respective obligations under the Banco Central Project and Subsidiary Loan Agreements and the accomplishment of the purposes of the Loan.

(d) Banco Central shall, and shall cause Fondo Ganadero to, enable the Bank's representatives to examine all installations, sites, works, buildings, property and equipment of Banco Central and Fondo Ganadero, respectively, and any relevant records and documents.

Section 2.13. (a) Banco Central shall, at the request of the Bank:

(i) exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Banco Central Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan; and

(ii) furnish to the Bank all such information as the Bank shall reasonably request in respect of the Project.

(b) Banco Central shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by Banco Central of its obligations under this Agreement and under the Banco Central Subsidiary Loan Agreement.

Section 2.14. Except as the Bank shall otherwise agree, Banco Central shall cause Fondo Ganadero:
(a) before undertaking the execution of Part A.2 of the Project, to furnish to the Bank for approval a program therefor which shall, inter alia, include: (i) identification of livestock producers (with emphasis on Borrowers from Fondo Ganadero) together with letters of intention therefrom for the purpose of entering into contractual arrangements with the contractors referred to below for the utilization of drilling services to be provided to such livestock producers by such contractor during a twelve-month period; (ii) selection of qualified contractors willing to acquire the equipment included in Part A.2 of the Project in accordance with the applicable provisions of Schedules 1 and 2 to this Agreement and to enter into contractual arrangements to provide such drilling services to the livestock producers referred to in (i) above at a reasonable price; and (iii) model contracts for provision of such drilling services and the making of the Equipment-loan;

(b) to enter with the contractors referred to in (a) above in a contract for purposes of making to the contractors the Equipment-loans under terms and conditions which shall include those set forth in Part B of Schedule 2 to this Agreement; and

(c) to exercise its rights in relation to the contracts referred to in (b) above in such manner so as (i) to protect the interests of the Bank, Banco Central and Fondo Ganadero and (ii) to accomplish the purposes of the Equipment-loans.

ARTICLE III

Other Covenants

Section 3.01. Banco Central shall cause Fondo Ganadero to conduct its business and operations in accordance with appropriate financial, agricultural and administrative practices and under the supervision of competent and experienced management.

Section 3.02. Banco Central shall cause Fondo Ganadero to maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition.

Section 3.03. Banco Central shall cause Fondo Ganadero to establish a separate Project Account exclusively for Part A of the Project and shall record in it all receipts and payments for or in connection with such Part of the Project, including
amounts disbursed to, and received from, Part A.1 Beneficiaries under Sub-loans.

Section 3.04. Banco Central shall cause Fondo Ganadero: (i) to have its accounts (including the account referred to in Section 3.03) and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) to furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) to furnish to the Bank such other information concerning the accounts and financial statements of Fondo Ganadero and the audit thereof as the Bank shall from time to time reasonably request.

Section 3.05. Except as the Bank shall otherwise agree, Banco Central shall open, in the name of Banco Fomento, a yearly revolving line of credit, for the purpose of reducing to satisfactory levels liquidity problems which Banco Fomento suffers every year by reason of its credit operations in the agricultural sector, such line of credit to be opened not later than July 31, 1979 or such other date agreed between the Bank and Banco Central, and the drawings under such line of credit to be made for up to 180 days from the date of each drawing and to be fully settled once in each year before renewal thereof is made.

Section 3.06. Loans to be financed by Fondo Ganadero with its own resources shall bear interest at a rate which shall be sufficient to: (i) cover at least the average costs corresponding to such loans; and (ii) maintain the real value of the principal amounts of such loans. The Bank and Fondo Ganadero shall review from time to time the results of the application of such policy.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.
Section 4.02. This Agreement and all obligations of the Bank and of Banco Central thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly so notify Banco Central thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address herein-after specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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
Telex:
440098 (ITT)
248423 (RCA) or 64145 (WUI)

For Banco Central:

Banco Central del Paraguay
Independencia Nacional y 25 de Mayo
Asunción
Paraguay
Cable address:
134 PY CENTBANK
Asunción

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Banco Central, or by Banco Central on behalf of the Borrower under the Loan Agreement, may be taken or executed by the President of Banco Central or such other person or persons as the President shall designate in writing, and Banco Central shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Enrique Lerdau
Acting Regional Vice President
Latin America and the Caribbean

BANCO CENTRAL DEL PARAGUAY

By /s/ Mario López Escobar
Authorized Representative
SCHEDULE 1

Procurement

A. Procurement Procedures

1. Vehicles for Part A of the Project shall be procured under contracts awarded in accordance with local competitive procedures satisfactory to the Bank.

2. Goods and services included in Livestock Investment Projects shall be procured in accordance with Section 2.08 (a) (ii) of this Agreement.

3. Contracts for goods for purposes of Part A.2 of the Project shall be awarded on the basis of price quotations from independent suppliers in not less than 3 countries (which shall be members of the Bank or Switzerland); provided, however, that proper account shall be taken of the availability of servicing and spare parts therefor and that the Bank is satisfied that such award is justified by considerations of economy and efficiency.

B. Review of Procurement Decisions by the Bank

1. Review of invitations to bid and of proposed awards and final contracts:

   With respect to contracts under Part A.1 of this Schedule:

   (a) Before bids are invited, Banco Central shall cause Fondo Ganadero to furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

   (b) After bids have been received and evaluated, Banco Central shall cause Fondo Ganadero, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it
determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform Fondo Ganadero and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 10% of the original price, Banco Central shall cause Fondo Ganadero to inform the Bank of the proposed modification, waiver, extension or change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform Fondo Ganadero and state the reasons for its determination.
SCHEDULE 2

Lending and Operating Policies and Procedures

Part A: Sub-loans

1. Approval of Sub-loans

All Sub-loans under Part A (1) of the Project shall be made with the approval of the coordinating committee referred to in Section 3.02 of the Loan Agreement and with a favorable opinion, on the technical and environmental soundness of the corresponding Investment Project, of the Technical Director of Fondo Ganadero. In addition, approval of Sub-loans for Parts A.1 (a) and (b) of the Project shall be subject to the availability, in the opinion of such Director, of competent management or the hiring of management consultants for the Large and Medium-Size Ranches in question.

2. Financing of Investment Projects

(a) Beneficiaries under Part A.1 (c) of the Project shall contribute at least ten per cent (10%) (in cash or in kind) of the total estimated cost of the Livestock Investment Project, provided that the Sub-loan in question does not exceed the amount of $12,000 equivalent.

(b) Other Beneficiaries under Part A.1 of the Project shall contribute at least twenty-five per cent (25%) (in cash or in kind) of the total estimated cost of each Livestock Investment Project.

(c) The amount allocated for the purchase of livestock shall not exceed fifty per cent (50%) of the total estimated cost of a Livestock Investment Project.

3. Terms and conditions of Sub-loans

The Sub-loan agreements shall, in addition to the provisions mentioned in Section 2.08 (a) of this Agreement, include the following covenants:

(a) to compensate for changes in price levels, the outstanding principal amount of each Sub-loan shall be adjusted each year by Fondo Ganadero on the basis of the variation of the Indice de Precios del Consumidor, published for each month by Banco Central,
or any other price index acceptable to the Bank, for the preceding twelve-month period, and in accordance with procedures satisfactory to the Bank in effect on the date of the respective Sub-loan agreement;

(b) the adjusted principal amount outstanding of each Sub-loan shall bear interest at a rate equivalent to not less than six per cent (6%) per annum;

(c) the repayment terms shall reflect the payment ability of the Part A.1 Beneficiary based upon the cash flow projections of his Livestock Investment Project and be within the limits set forth below:

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(d) the service of the Sub-loans shall be in guarantees; and the Beneficiary shall not bear any foreign exchange risk.

Part B: Equipment Loan

1. Making of an Equipment Loan

An Equipment Loan shall be made only after the Bank has approved the program referred to in paragraph (a) of Section 2.14 of this Agreement and the contract referred to in paragraph (b) of such Section.

2. Financing

The selected contractor shall contribute at least 25% of the cost of the goods to be financed under the Equipment Loan.

3. Terms and Conditions of an Equipment Loan

The contract under which the Equipment Loan shall be made, shall include provisions stipulating that:

(a) the terms and conditions included in Part A.3 (a) and (b) of this Schedule shall apply and, mutatis mutandis, the rights of Fondo Ganadero set forth in paragraphs (a)
(iii), (iv), (v) and (vi) of Section 2.08 of this Agreement shall be granted to Fondo Ganadero;

(b) the equipment financed under the Equipment Loan shall: (i) be pledged as security for the repayment of the principal thereof and interest and other charges thereon, and for the performance by the selected contractor of its obligations under the contractual arrangements for the provision of services with such equipment; and (ii) be procured in accordance with the provisions of Part A.2 of Schedule 1 to this Agreement;

(c) the contract shall not become effective until the contractual arrangements referred to in (b) (i) above have become effective; and

(d) the Equipment Loan shall be repaid within a period of not more than six years, including a maximum grace period of one year.