

A. I. D. Loan No. 526-V-026

ALLIANCE FOR PROGRESS

LOAN AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF PARAGUAY

AND

THE UNITED STATES OF AMERICA

FOR

CADASTRAL SURVEY

AND

PROPERTY TAX IMPROVEMENT

Dated: 23 May, 1974

BEST AVAILABLE COPY

LOAN AGREEMENT dated May 23, 1974, between THE GOVERNMENT OF THE REPUBLIC OF PARAGUAY ("Borrower") and THE UNITED STATES OF AMERICA, acting through THE AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed TWO MILLION THREE HUNDRED THOUSAND UNITED STATES DOLLARS (\$2,300,000) ("Loan") to assist Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance foreign exchange costs of goods and services required for the Project ("Dollar Costs") and local currency costs of goods and services required for the Project (Local Currency Costs"). The amount of the Loan used to finance the Local Currency Costs shall not exceed the equivalent of ONE MILLION FOUR HUNDRED THOUSAND UNITED STATES DOLLARS (\$1,400,000). The aggregate amount of disbursements under the loan is hereinafter referred to as "Principal".

SECTION 1.02. The Project. The Project shall consist of a program for a Cadastral Survey and improvements in the property tax system in eastern Paraguay. The Project is more fully described in Annex I, attached hereto, which Annex may be modified in writing by mutual agreement. The goods and services to be financed under the Loan shall be listed in the implementation letters referred to in Section 9.03 ("Implementation Letters").

ARTICLE II

Loan Terms

SECTION 2.01. Interest. Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.04) and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9 1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment. All payments of interest and Principal hereunder shall be made in United States Dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Agency for International Development, Cashier, (SER/CONT), Washington, D.C. 20523, United States of America. Payment shall be deemed made when received.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. In the lights of the undertakings of the United States of America and the other signatories of the Act of Bogota and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant

improvement in the internal and external economic and financial position and prospects of Paraguay, taking into consideration the relative capital requirements of Paraguay and of the various signatories of the Act of Bogotá and the Charter of Punta del Este.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement. Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Attorney General of Paraguay, or other counsel that this Agreement has been duly authorized and/or ratified by and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the names of the persons holding or acting in the office of Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement;
- (c) Assurance that an individual acceptable to A.I.D. has been assigned as full time Project Director;
- (d) An approved Budget Plan for implementing the Project over a five year period, which Plan shall provide, except as A.I.D. may otherwise agree, for local currency contributions by the Borrower in an amount not less than 34% of estimated total Project costs, allocated to Project years according to a schedule acceptable to A.I.D.;
- (e) Evidence that Borrower's Real Property Tax Office has established a viable system for a field collection function operating in conjunction with existing office collection functions.

SECTION 3.02. Conditions Precedent to Subsequent Disbursements.

- (a) Prior to any disbursement or issuance of any commitment document under the Loan for the procurement of equipment, commodities or aerial photography services, an individual acceptable to A.I.D. shall be assigned as Procurement Administrator.
- (b) Prior to any disbursement or issuance of any commitment document under the Loan for equipment or commodities,

Borrower shall furnish A.I.D. a contract, in form and substance satisfactory to A.I.D., for the services of a long-term field operations advisor and such other technical assistance as may be appropriate.

- (c) Prior to any disbursement of local currency under the Loan in any Project year, Borrower shall, except as A.I.D. may otherwise agree, in writing, provide evidence satisfactory to A.I.D. that
- (i) there has been included in the National Budget an amount for the Project no less than that provided for in the Budget Plan as Borrower's contribution for the Project year,
 - (ii) all funds for the Project so budgeted for prior years have been released for use by the Real Property Tax Office, and
 - (iii) the field collection function referred to in Section 3.01(e) is operating satisfactorily in accordance with the system approved pursuant to Section 3.01(e).

SECTION 3.03. Terminal Dates for Meeting Conditions Precedent to Disbursement.

- (a) If the conditions specified in Section 3.01 shall not have been met within four months after the execution of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option, may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.
- (b) If the conditions specified in Section 3.02(a) and (b) shall not have been met within six months after the execution of this Agreement or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the amount of the Loan and/or may terminate this Agreement by giving written notice to the Borrower. In the event of a termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in Sections 3.01 and 3.02 have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

- (a) Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound financial, administrative, planning and management practices. In this connection Borrower shall employ suitably qualified and experienced consultants and other personnel for the Project.
- (b) Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, approved by A.I.D., pursuant to this Agreement.

SECTION 4.02. Funds and Other Resources to be Provided by Borrower. Borrower shall provide promptly as needed all funds, in addition to the Loan, required for the punctual and effective carrying out of the Project.

SECTION 4.03. Continuing Cooperation. Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by Borrower of its obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged in the Project, and other matters relating to the Project. Without limitation upon the foregoing, Borrower and A.I.D. will carry out an annual review of the Project during the period of disbursement under the Loan.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management, acceptable to A.I.D. for the Project, and it shall train such staff as may be appropriate for carrying out the Project.

SECTION 4.05. Taxation. This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within Paraguay. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts, financed hereunder and (b) any commodity procurement transaction financed hereunder, are not exempt from

identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in Paraguay, Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.06. Utilization of Goods and Services.

- (a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing. Upon completion of the Project, or at such other times as goods financed under the Loan can no longer be usefully employed for the Project, Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.
- (b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.07. Disclosure of Material Facts and Circumstances.

Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D. accurately and completely all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect the Project or the discharge of Borrower's obligations under this Agreement.

SECTION 4.08. Commissions, Fees, and Other Payments.

- (a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to the Borrower's fulltime officers and employees or as compensations for bona fide professional, technical, or comparable services. Borrower shall promptly report to A.I.D. any payment or

agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

- (b) Borrower warrants and covenants that no payments have been or will be received by Borrower, or any official of Borrower in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in Paraguay.

SECTION 4.09. Maintenance and Audit of Records. Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitation of prospective suppliers of goods and services acquired;
- (c) the basis of the award of contracts and orders to successful bidders; and
- (d) the progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.10. Reports. Borrower agrees to furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may reasonably request, including a report on Project progress to be furnished at least on a quarterly basis during the period of disbursement under the Loan.

SECTION 4.11. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and Borrower's

books, records, and other documents relating to the Project and the Loan. Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of Paraguay for any purpose relating to the Loan.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Special Covenants and Warranties.

- (a) Without limitation with respect to obligations otherwise incurred under this Agreement, Borrower hereby specifically covenants and warrants to take appropriate steps:
- (i) To provide sufficient funds, personnel and other resources to adequately maintain the cadastral survey and related records generated by the Project;
 - (ii) To initiate reforms in the present system of property registration in order to utilize the cadastral survey as the basis for establishing a more functional land registration system;
 - (iii) To maximize the use of the information resulting from the Project in planning and investment decisions in the agricultural and education sectors;
 - (iv) To further the modernization and rationalization of the overall tax system of Paraguay; and
 - (v) To modify the property tax valuation base and/or rate structure to introduce greater equity into the property tax system.
- (b) Borrower further covenants to review jointly with A.I.D., on an annual basis, the actions taken or planned with respect to the above.

ARTICLE VI

Procurement

SECTION 6.01. Qualified WorldWide Procurement. Except as A.I.D. may otherwise agree in writing, and except as provided in subsection 6.08(c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such goods and services ("Qualified Worldwide Goods and Services"). All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

SECTION 6.02. Procurement from Paraguay. Disbursement made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in Paraguay.

SECTION 6.03. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.04. Goods and Services Not Financed Under Loan. Goods and services procured for the Project but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.05. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Sections 6.01, 6.02 and 6.04 will be set forth in detail in Implementation Letters.

SECTION 6.06. Plans, Specifications and Contracts.

- (a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D. promptly upon preparation, all plans, specifications, schedules, bid documents and contracts or other arrangements relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

- (b) Except as A.I.D. may otherwise agree in writing, all of the plans, specifications and schedules furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.
- (c) Except as A.I.D. may otherwise specify, all bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. Such documents shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.
- (d) Except as A.I.D. may otherwise agree in writing, the following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:
 - (i) contracts for engineering, consultant and other professional services;
 - (ii) contracts for such other services as A.I.D. may specify; and
 - (iii) contracts for such equipment and material as A.I.D. may specify.

In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by A.I.D. in writing prior to their becoming effective.

- (e) Consulting firms or other technical assistance used by the Borrower for the Project, but not financed under the Loan, as well as the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, shall be subject to the written approval of A.I.D.

SECTION 6.07. Reasonable Prices. No more than reasonable prices shall be paid for any goods or services financed in whole or in part under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.08. Shipping and Insurance.

- (a) Qualified Worldwide Goods financed under the Loan shall be transported to Paraguay on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.
- (b) At least fifty percent (50%) of the gross tonnage of all Qualified Worldwide Goods financed under the Loan (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean going vessels shall be transported on privately owned United States flag commercial vessels unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. In addition, at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the Loan and transported on dry cargo liners shall be paid to or for the benefit of privately owned United States flag commercial vessels, unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be transported on any ocean vessel or aircraft: (i) which A.I.D., in a notice to Borrower, has designated as ineligible to carry A.I.D.-financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods, unless such charter has been approved by A.I.D.
- (c) Marine insurance on Qualified Worldwide Goods may be financed under the Loan with disbursements made pursuant to Section 7.01, provided (i) such insurance is placed at the lowest available competitive rate in Paraguay or in a country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, Paraguay, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, Qualified Worldwide Goods financed under the Loan shall, during the continuance of such discrimination, be insured against marine risk in the United States of America with a company or companies authorized to conduct a marine insurance business in any state of the United States of America.

- (d) Borrower shall insure or cause to be insured all Qualified Worldwide Goods financed under the loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by Borrower under such insurance shall be used to replace or repair any material damage or any loss of goods insured or shall be used to reimburse Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

SECTION 6.09. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, Borrower agrees to furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 6.10. United States Government-Owned Excess Property. Borrower will utilize, with respect to goods financed under the Loan to which Borrower takes title at the time of procurement, such reconditioned United States Government-owned Excess Property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. Borrower shall seek assistance from A.I.D. and A.I.D. will assist Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary inspection of such property by Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan and after having sought such A.I.D. assistance, Borrower shall indicate to A.I.D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

SECTION 6.11. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursements for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of Borrower and may be financed under the Loan.

SECTION 7.02. Disbursement for Local Currency Costs. Upon satisfaction of conditions precedent, Borrower may, from time to time, request disbursement by A.I.D. of local currency for Local Currency Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Implementation Letters. A.I.D. shall make such disbursements from local currency of Paraguay owned by the United States Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the local currency made available hereunder shall be the amount of United States dollars required by A.I.D. to obtain the local currency of Paraguay.

SECTION 7.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as Borrower and A.I.D. may agree to in writing.

SECTION 7.04. Procedure for and Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which A.I.D. makes a disbursement to Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment and (b) in the case of disbursements pursuant to Section 7.02 on the date on which A.I.D. disburses the local currency to Borrower or its designee.

SECTION 7.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment, or other commitment

document which may be called for by another form of disbursement under Section 7.03, or amendment thereto, shall be issued in response to requests received by A.I.D. after December 31, 1978, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after five (5) years from the date of this Agreement. A.I.D., at its option, may at any time or times after such date, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by Borrower. Borrower may, with the prior written consent of A.I.D. cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency; or
- (c) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between Borrower or any of its agencies and A.I.D., or any of its predecessor agencies;

then, A.I.D. may, at its option, give to Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is remedied to the satisfaction of A.I.D. within such sixty days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursement. In the event that at any time:

- (a) An Event of Default has occurred;
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that Borrower will be able to perform its obligations under this Agreement; or
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.

then, A.I.D. may, at its option;

- (i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;
- (ii) decline to make disbursements other than under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D., if the goods are from a source outside Paraguay, are in a deliverable state, and have not been offloaded in ports of entry for Paraguay. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursement pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

- (a) In the case of any disbursement from funds received under this agreement not supported by valid documentation in accordance with the terms of this Agreement, or of any such disbursement not made or used in accordance with the terms of this Agreement, A.I.D. notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require Borrower to refund to A.I.D. such amount in United States dollars or local currency as specified by A.I.D. within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity thereby effecting a reduction of the amount of the Loan by the amount of such remainder. Notwithstanding any other provision of this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five (5) years following the date of such disbursement.
- (b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity thereby effecting a reduction of the amount of the Loan by the amount of such remainder.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D. other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to Borrower and shall be reimbursed to A.I.D. by the Borrower in such manner as A.I.D. may specify.

SECTION 8.08. Nonwaiver of Remedies. No reasonable delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document, or other communication given, made, or sent by Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable, or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or mail, telegram, cable, or radiogram at the following address:

TO BORROWER:

Mail Address: Ministry of Finance
Chile & Palma
Asunción, Paraguay

Cable Address: MINHACIENDA
ASUNCION, PARAGUAY

TO A.I.D.:

Mail Address: USAID Mission to Paraguay
Kubitschek 390
Asunción, Paraguay

Cable Address: USAID/Paraguay
Asunción, Paraguay

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, Borrower will be represented by the individual holding or acting in the office of Minister of Finance and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID Mission to Paraguay. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and a specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature

of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, Borrower shall issue promissory notes or such other evidence of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 9.05. Termination Upon Full Payment. Upon repayment in full of the Principal and payment of all accrued interest, this Agreement and all obligations of Borrower and A.I.D. thereunder shall terminate.

SECTION 9.06. Difference in Meaning. The English language version of this Agreement shall be used to resolve differences in meaning between the English version and the Spanish version.

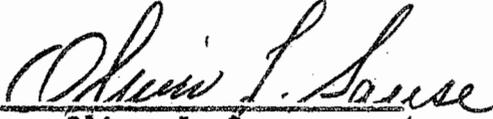
IN WITNESS WHEREOF BORROWER AND THE UNITED STATES OF AMERICA, each acting through its respective duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of

23 May, 1974.

FOR THE GOVERNMENT OF THE
REPUBLIC OF PARAGUAY


César Barrientos
Minister of Hacienda

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA


Oliver L. Sause
Director, USAID Mission
to Paraguay

ANNEX I

PROJECT DESCRIPTION

A. The Project is principally intended to help improve Paraguay's fiscal performance by enabling the Real Property Tax Office to carry out a more effective and equitable property tax assessment and collection program. The Project also contemplates creation in Paraguay of a combined national land survey-cadastral system which will help provide basic information useful in the planning and execution of other developmental (especially Agricultural) programs.

B. During the course of the Project, the Real Property Tax Office will inventory and define all land holdings, both urban and rural, and identify the owner or possessor of such holdings, in the fourteen (14) departments of the Eastern Region of Paraguay (excluding Asunción). This will involve an estimated 500,000 properties in the completed Cadaster at the end of the Project. Project operations will be carried out on a district by district basis within each department in accordance with priorities recommended by the Technical Planning Secretariat of the Office of the President.

C. Project Activities will include the following:

- (1) Compilation of existing data and information relating to land holdings and ownership or possession;
- (2) Delineation of each land holding and field verification of ownership or possession;
- (3) Compilation of cadastral plans and a cadastral record for each land holding;
- (4) Compilation and updating of valuation records for each land holding;
- (5) Compilation and updating of tax collection records and receipts for each taxable land holding;
- (6) Further decentralization of the existing tax collection system through the opening of additional, regional field collection offices, and within each, establishment of regional cadastral maintenance capability.

D. A.I.D. Loan Funds are expected to be used in the financing of the foreign exchange costs related to:

- (1) Aerial photograph operations;

(2) Procurement of vehicles, equipment, materials and supplies needed by the Real Property Tax Office in carrying out the Project; and

(3) Technical Assistance in field operations and for short-term specialists needed for implementation of the whole program.

E. Local currency costs which may be financed under the A.I.D. loan may include:

(1) Costs of vehicle operation and maintenance;

(2) Other equipment, material and supplies;

(3) Necessary project personnel costs in excess of basic Paraguayan Government salaries, including field per diem and overtime.

F. The Borrower's Contribution to the Project will include basic personnel expenses for individuals specifically working on the Project, together with normal office expenses, adequate facilities including new and remodeled facilities as required, and vehicle insurance costs specifically related to the Project.