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PD-AB-311-A1

AID Loan Number: 526-L-018

LOAN AGREEMENT

Between

THE REPUBLIC OF PARAGUAY

and the

UNITED STATES OF AMERICA

for

MALARIA ERADICATION

Dated:

RECORD COPY

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LOAN AGREEMENT, dated 1968, between the REPUBLIC OF PARAGUAY ("Borrower"), acting through the MINISTRY OF HEALTH AND SOCIAL WELFARE ("Ministry"), and the MINISTRY OF FINANCE, and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("AID").

## ARTICLE I

### The Loan

SECTION 1.01. The Loan. AID agrees to lend to the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed One Million Nine Hundred Thousand United States Dollars (\$1,900,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance United States dollar 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 aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

SECTION 1.02. The Project. The Project shall consist of the implementation of the approximately first five years of a comprehensive plan for the total eradication of malaria from the territory of Paraguay in accordance with a Plan of Operations ("Plan of Operations") which has been prepared by Borrower and approved by the Pan American Health Organization ("PAHO") and by AID. The Project is more fully described in Annex 1, attached hereto, which Annex may be modified in writing. The goods and services to be financed under the Loan shall be listed in the implementation letters referred to in Section 8.03 ("Implementation Letters").

SECTION 1.03. Use of Funds Generated by Other United States Assistance. The Borrower shall use for the Project, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the Local Currency Costs of the Project, any currencies other than United States dollars that may become available to the Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the extent and for the purposes that AID and the Borrower may agree in writing. Any such funds used for the Project shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between AID and the Borrower as to the use of such funds, at the rate of exchange defined in the Special Letter of Credit Implementation Memorandum referred to in Section 6.02 as in effect on such date.

## ARTICLE II

### Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to AID interest which shall accrue at the rate of one percent (1%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of two and one-half percent (2 1/2%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on outstanding Principal shall accrue from the date of each respective disbursement (as such date is defined in Section 6.04), and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. 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 AID.

SECTION 2.02. Repayment. The Borrower shall repay to AID the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual 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. AID shall provide the 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 AID may otherwise specify in writing, all such payments shall be made to the Controller, United States AID Mission to Paraguay in Asuncion, and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the 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 light 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 AID, at such time or times as AID 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 the country of the Borrower taking into consideration the relative capital requirements of Paraguay and of the other signatories of the Act of Bogota 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, the Borrower shall, except as AID may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

- (a) Evidence that this Agreement has been ratified by the National Congress of the Republic of Paraguay;
- (b) An opinion of the General Attorney of Paraguay or of other counsel acceptable to AID that this Agreement has been duly authorized and 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;
- (c) A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 8.02, and a specimen signature of each person specified in such statement;
- (d) Evidence that the financial and technical assistance to be given to the Project by PAHO and by the United Nations Children's Fund ("UNICEF") will be available on a timely basis so as to permit the proper utilization of the contributions of the Borrower under the Schedule of Financial Contributions referred to in Section 4.02(a) of this Agreement;
- (e) Evidence that Borrower has entered into arrangements satisfactory to AID (1) for the establishment of a special administrative fund account in the name of SENEPA for deposit of the contributions of Borrower and the proceeds of this loan, and (2) for the scope and nature of the services of the USPHS Co-Administrator in the administration and implementation of this Project.

SECTION 3.02. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all of the conditions specified in Section 3.01 shall not have been met within ninety (90) days from the date of this Agreement, or such later date as AID may agree in writing, AID 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 thereunder shall terminate.

SECTION 3.03. Notification of Meeting of Conditions Precedent to Disbursement. AID shall notify the Borrower upon determination by AID that the conditions precedent to disbursement have been met.

## ARTICLE IV

### General Covenants and Warranties

#### SECTION 4.01. Execution of the Project

- (a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound medical, engineering, construction, financial, and administrative practices. In this connection, the Borrower shall promptly enter into, and adhere to, suitable arrangements with PAHO for technical assistance for the Project that are acceptable to AID.
- (b) The Borrower shall cause the Project to be carried out in conformity with the Plan of Operations that has been approved by PAHO and AID, and with all of the other plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, approved by AID pursuant to this Agreement. The Borrower shall not modify or cancel the Plan of Operations without obtaining the prior approval of PAHO, AID, and UNICEF.

#### SECTION 4.02. Funds and Resources to be Provided by Borrower.

- (a) Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project. In this connection, the Borrower has prepared, and AID has approved, a schedule of financial contributions ("Schedule of Financial Contributions") to be made by Borrower to SEMEPA for the Project for the approximately eight-year period during which the Project will be implemented. The said financial contributions shall be derived from a 1 1/2 percent Social Security Institute (IPS) tax, arising out of the application of Decree Laws Numbers 103/56 and 444/67, including the times of payment established therein, which will be levied during the entire eradication program, 1967-1974. Funds destined for the Project which have not been spent in one Fiscal Year shall be utilized in those following. The Borrower shall promptly deliver the proceeds of said I.P.S. tax to the Special Administrative Account of SEMEPA in the Central Bank of Paraguay, which shall act as trustee for SEMEPA. The budgeted 1967 contribution of Borrower to the Project has been made, and to this effect the Borrower's contribution as budgeted and spent in 1967 is recognized as the contribution of the Government of Paraguay to the first year of the Project, the Preparatory Phase. In order that the normal development of the Project shall not be interrupted during the 1972-74 period, the Borrower shall contribute additional resources at such times as it may become necessary to do so. Borrower shall not modify or cancel the Schedule of Financial Contributions, or modify or cancel the arrangements with the Central Bank of Paraguay, without obtaining the prior approval of AID. In addition, the Borrower shall provide such additional funds for the Project, and shall revise the Schedule of Financial Contributions accordingly, with the prior approval of AID, in the event that the costs of the Project increase.

- (b) The Borrower shall provide promptly as needed all funds and all other resources required to prevent the reappearance of malaria in the territory of Paraguay, in accordance with the Plan of Operations (Maintenance Phase) and with the obligations of the Borrower under Section 4.05 of this Agreement.

SECTION 4.03. Continuing Consultation. The Borrower and AID shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower shall cooperate fully with the personnel assigned by AID to the Project. In addition, Borrower and AID 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 the Borrower of its obligations under this Agreement, the performance of contractors and suppliers engaged on the Project, and other matters relating to the Project. In addition, the Borrower and AID shall from time to time during the first three years following the final disbursement under the Loan, at the request of either party, exchange views with regard to the performance of the Borrower of its obligations under this Agreement, and in particular under Section 4.02(b) and Section 4.05 hereof, and other matters relating to the program, beyond the approximately eight-year term of the Project, for malaria eradication and for preventing the reappearance of malaria in the territory of Paraguay. In addition, Borrower shall coordinate the implementation of its malaria eradication program with those of Brazil, Bolivia, and Argentina in a manner approved by the AID advisors.

SECTION 4.04. Management. The Borrower shall maintain for the approximately eight-year term of the Project, or for such other period as Borrower and AID may agree, SEMEPA as a separate administrative and technical entity within the Ministry, with the responsibility for administering and implementing the Project. Borrower shall promulgate administrative regulations for the operations of SEMEPA, and particularly, shall cooperate in the formations of a Malaria Advisory Council and a Personnel Advisory Committee, all of which shall be in form and substance satisfactory to AID.

SECTION 4.05. Continuing Obligations of the Borrower. In order to assure that the purpose of the Loan will be accomplished, the Borrower shall, once the eradication of malaria has been achieved, continue the program for preventing the reappearance of malaria in the territory of Paraguay in accordance with the Plan of Operations. The Borrower shall carry out its obligations under this Section in conformity with sound medical, engineering, financial and administrative practices and in such manner as to insure the continuing and successful achievement of the purpose of the Loan which is the complete and permanent eradication of malaria from the territory of Paraguay.

SECTION 4.06. Taxation. This Agreement, the amount agreed to be lent hereunder and any evidences 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 in the country of the Borrower. To the extent that (a) all parties to contracts financed hereunder to which the Borrower is a party and any property or transactions relating to such contracts, and (b) any commodity procurement transaction financed hereunder, are not exempt from taxes, tariffs, duties and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.07. Utilization of Goods and Services.

- (a) Goods and services financed under the Loan shall be used exclusively for the Project, except as AID may otherwise agree in writing. Upon completion of the Project, or at such other time as goods financed under the Loan can no longer usefully be employed for the Project, the Borrower may use or dispose of such goods in such manner as AID may agree to in writing prior to such use or disposition.
- (b) Except as AID 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 AID Geographic Code Book as in effect at the time of such use.

SECTION 4.08. Disclosure of Material Facts and Circumstances. The Borrower represents and warrants that all facts and circumstances that it has disclosed to AID in the course of obtaining the Loan are accurate and complete, and that it has disclosed to AID, accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. The Borrower shall promptly inform AID of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.09. 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 full-time officers and employees or as compensation for bona fide professional, technical or comparable services. The Borrower shall promptly report

to AID 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 AID, the same shall be adjusted in a manner satisfactory to AID.

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

SECTION 4.10. Maintenance and Audit of Records. The 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 solicitations 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 AID may require, and shall be maintained for five years after the date of the last disbursement by AID or until all sums due AID under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11. Reports. The Borrower shall furnish to AID such information and reports relating to the Loan and to the Project as AID and USPHS may request.

SECTION 4.12. Inspections. The authorized representatives of AID shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the Borrower's books, records and other documents relating to the Project and the Loan. The Borrower shall cooperate with AID to facilitate such inspections and shall permit representatives of AID to visit any part of the country of the Borrower for any purpose relating to the Loan or the project.

ARTICLE V

Procurement

SECTION 5.01. Procurement from the United States. Except as AID may otherwise agree in writing, disbursements made pursuant to Section 6.01 shall be used exclusively to finance the procurement for the Project of goods and services, including ocean shipping and marine insurance, having both their source and origin in the United States of America.

SECTION 5.02. Procurement from Paraguay. Disbursements made pursuant to Section 6.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in Paraguay.

SECTION 5.03. Eligibility Date. Except as AID 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 5.04. 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 AID Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 5.05. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Sections 5.01, 5.02 and 5.04 will be set forth in detail in Implementation Letters.

SECTION 5.06. Plans, Specifications and Contracts.

- (a) Except as AID may otherwise agree in writing, the Borrower shall furnish to AID, promptly upon preparation, all plans, specifications, construction schedules, bid documents and contracts 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 AID may otherwise agree in writing, all of the plans, specifications and construction schedules furnished pursuant to sub-section (a) above shall be approved by AID in writing.
- (c) All bid documents relating to goods and services financed under the Loan shall be approved by AID in writing prior to their issuance. All plans, specifications and other documents relating to goods and services financed under the Loan shall be in terms of standards and measurements adequate to the project and approved by AID.
- (d) The following contracts financed under the Loan shall be appro-

ved by AID in writing prior to their execution:

- (i) contracts for engineering and other professional services,
- (ii) contracts for construction services,
- (iii) contracts for such other services as AID may specify, and
- (iv) contracts for such equipment and materials as AID may specify.

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

SECTION 5.07. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. 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 5.08. Employment of Third Country Nationals under Construction Contracts. The employment of personnel to perform services under construction contracts financed under the Loan shall be subject to requirements with respect to third country nationals prescribed in Implementation Letters.

SECTION 5.09. Shipping and Insurance.

- (a) Goods procured from the United States and financed under the Loan shall be transported to the country of the Borrower on flag carriers of any country included in Code 935 of the AID Geographic Code Book as in effect at the time of shipment.
- (b) At least fifty percent (50%) of the gross tonnage of all goods procured from the United States and financed under the Loan (computed separately for dry bulk carriers, dry cargo liners and tankers) which shall be transported on ocean vessels shall be transported on privately-owned United States-flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) (i) which AID, in a notice to the Borrower, has designated as ineligible to carry AID-financed goods or (ii) which has been chartered for the carriage of AID-financed goods unless such charter has been approved by AID.
- (c) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, 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, goods procured from the United States and 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 do a marine insurance business in any state of the United States of America.
- (d) The Borrower shall insure, or cause to be insured, all goods procured in the United States and 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 the 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. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall be of United States source and origin and otherwise subject to the provisions of this Agreement.

SECTION 5.10. 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, the Borrower shall furnish to AID such information with regard thereto, and at such times, as AID may request in Implementation Letters.

SECTION 5.11. United States Government-Owned Excess Property. The Borrower shall utilize, with respect to goods financed under the Loan to which the 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. The Borrower shall seek assistance from AID and AID will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. AID will make arrangements for any necessary inspection of such property by the Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the 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 AID assistance, the Borrower shall indicate to AID 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 5.12. 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, identify the Project site, and mark goods financed under the Loan, as prescribed in Implementation Letters. In addition, all clothing provided by SENEPA to personnel working on the Project shall have Alliance For Progress markings satisfactory to AID.

ARTICLE VI

Disbursements

SECTION 6.01. Disbursements for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request AID to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to AID, committing AID 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 AID may prescribe in Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 6.02. Disbursements for Local Currency Costs. Upon satisfaction of conditions precedent, and upon submission to AID by Borrower of such documentation as AID may prescribe in Implementation Letters, AID shall disburse to Borrower the local currency equivalent of two hundred thousand United States Dollars (\$200,000) as an initial advance for Local Currency Costs of goods and services for the Project. Thereafter, at intervals of approximately three (3) months (or at such earlier times as AID may deem necessary for the effective implementation of the Project), and upon submission to AID by Borrower of such documentation as AID may prescribe in Implementation Letters, including satisfactory evidence that Borrower has continued to make contributions to SE.EPA for the Project in accordance with the Schedule of Financial Contributions referred to in Section 4.02(a), AID shall disburse to Borrower Local Currency Costs of goods and services for the Project an amount in local currency sufficient to raise the unexpended balance of disbursed AID funds with the Borrower to the local currency equivalent of approximately two hundred thousand United States Dollars (\$200,000). AID, at its option, may make such disbursements from currency of the country of the Borrower owned by the U.S. Government and obtained by AID with United States dollars, or obtained with United States dollars in accordance with the provisions of the Special Letter of Credit Implementation Memorandum dated July 20, 1965 between Borrower, AID, and Banco Central del Paraguay, as amended from time to time. The United States dollar amount of the Loan disbursed under this Section will be the amount of United States dollars required by AID to obtain the currency of the country of the Borrower.

SECTION 6.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and AID may agree to in writing.

SECTION 6.04. Date of Disbursement. Disbursements by AID shall be deemed to occur, (a) in the case of disbursement pursuant to Section 6.01,

on the date on which AID makes a disbursement to the 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 6.02, on the date on which AID disburses the local currency to the Borrower or its designee.

**SECTION 6.05. Terminal Date for Disbursement.** Except as AID may otherwise agree in writing, no Letter of Commitment or amendment thereto shall be issued in response to requests received by AID after December 31, 1972 and no disbursement shall be made against documentation received by AID or any bank described in Section 6.01 after June 30, 1973 AID, at its option, may at any time or times after June 30, 1973 reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VII

Cancellation and Suspension

SECTION 7.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D., by written notice to 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 Letter of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 7.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The 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;
- (c) The 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 the 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 the 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 cured within such sixty (60) 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 7.03. Suspension of Disbursements. In the event that at any time:

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

- (d) The 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 the Borrower or any of its agencies and the Government of the United States or any of its agencies;

then AID 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 AID 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, and
- (iv) At AID's expense, direct that title to goods financed under the Loan shall be transferred to AID if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 7.04. Cancellation by AID. Following any suspension of disbursements pursuant to Section 7.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within ninety(90) days from the date of such suspension, AID 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 7.05. 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 7.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, AID notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to AID 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. Notwithstanding any other provision in

this Agreement, AID'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 AID 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 with specifications, or to services that were inadequate, AID 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.

SECTION 7.07. Expenses of Collection. All reasonable costs incurred by AID, other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due AID by reason of the occurrence of any of the events specified in Section 7.02 may be charged to the Borrower and reimbursed to AID in such manner as AID may specify.

SECTION 7.08. Non-Waiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to AID under this Agreement shall be construed as a waiver of any of such rights, powers or remedies.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Communications. Any notice, request, document or other communication given, made or sent by the Borrower or AID 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 by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Ministerio de Salud Pública y  
Bienestar Social  
Avenida Pettrossi y Brasil  
Asuncion, Paraguay

Cable Address: MINSALUD  
Asuncion, Paraguay

TO AID:

Mail Address: United States AID Mission to Paraguay  
c/o United States Embassy  
Asuncion, Paraguay

Cable Address: USAID/Paraguay  
AmEmbassy  
Asuncion, Paraguay

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

SECTION 8.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Minister of Public Health and Social Welfare and AID will be represented by the individual holding or acting in the office of the Mission Director. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to AID. Until receipt by AID of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 8.03. Implementation Letters. AID shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 8.04. Promissory Notes. At such time or times as AID may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions, as AID may reasonably request.

SECTION 8.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and AID under this Agreement shall terminate.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE REPUBLIC OF PARAGUAY

By: \_\_\_\_\_  
Dr. Dionisio Gonzales Torres

Title: Minister of Public Health and Social Welfare

By: \_\_\_\_\_  
Gral. D.I.M. Cesar Barrientos

Title: Minister of Finance

UNITED STATES OF AMERICA

By: \_\_\_\_\_  
Peter M. Cody

Title: Director, USAID/Paraguay

## ANNEX I

### Description of Project

- A. The Project involves an eight-year malaria eradication program designed to stop transmission of malaria and find and cure the final cases of the disease within the borders of Paraguay.
- B. This program is based upon the Plan of Operations prepared by the Government of Paraguay in 1964, as revised and expanded in accordance with data provided in the reports of the malaria eradication service during 1965, 1966, and 1967, and in the AID Intensive Review Report. The schedule for the program is as follows:
1. Preparatory Phase, one year (already 65% completed): delineation of malaria transmission area; identification of vectors; census of population and mapping of all dwellings in the malarious areas; recruitment and training of personnel; procurement of equipment and supplies; organization of administration; etc.;
  2. Attack Phase, four years: twice-annual spraying of all dwellings in malarious areas with DDT; establishment of a system for case-finding and treatment;
  3. Consolidation Phase, three years: intensification of case-finding and treatment procedures; careful surveillance to determine that transmission is not re-established; emergency spraying when necessary; gradual turn-over of these functions to Ministry of Public Health and Social Welfare.
- C. The Project will be carried out by the Paraguayan National Malaria Eradication Service (SENEPA) a separate administrative and technical entity within the Ministry of Public Health and Social Welfare. SENEPA will receive commodities from UNICEF and commodities and technical advisory assistance from PAHO under a tri-partite agreement, and technical and administrative assistance from AID (USPHS-PASA), in addition to the loan funded financial assistance from AID during the Preparatory and Attack phases which is the subject of this Loan Agreement.