

**ODA Loan to Support the Agricultural Sector,  
The Foundation of Paraguay's Economy  
- Improvement of approximately 617km of roads, contributing significantly to  
improved transportation of agricultural products -**

For more information---  
(Ogai or Kuroda)  
Public Relations Division  
TEL: 03-3215-1419  
FAX:03-3215-1307

OECF (President, Chairman of the Board, Kyosuke Shinozawa) is providing the Republic of Paraguay with loans for two projects: Road Improvement Project (II) and Agricultural Sector Strengthening Project (II), amounting in total to 34,953 million yen. The Loan Agreements were signed today by H.E. Mr. Miguel Angel Sorano Lopes, Ambassador Extraordinary and Plenipotentiary to Japan of the Republic of Paraguay, and Mr. Yoseki Nagase, OECF's Senior Vice President, Deputy Chairman of the Board.

As a result, the cumulative total for ODA loan commitments to the Republic of Paraguay now stands at ¥ 110,668 million (14 commitments).

The amounts and conditions of the Loans and the project descriptions are as follows:

Project	Amount (¥ Mil.)	Interest Rate (%)	Repayment Period/Grace Period(Years)	Tying Status
Road Improvement Project (II)	19,428	2.7 (2.3)*	25(7)	General-Untied
Agricultural Sector Strengthening Project (II)	15,525	2.7 (2.3)*	25(7)	General-Untied
Total	34,953			

\* Consulting services

#### Project Description

### 1. Road Improvement Project (II)

#### (1) Need for the Project

Of Paraguay's road network is totaling approximately 59,000km, only 5% is paved, with only 12% of the country's approximately 24,000km of main roads paved. Around 90% of all domestic freight traffic is carried by road, and the poor road conditions seriously hinder smooth transportation of goods, mainly agricultural products, the country's principal export category. To improve this situation, the Paraguayan Government drew up a "Master plan for development of the transportation system" in 1992, with the assistance of the Japan International Cooperation Agency (JICA), and is now implementing road improvement works in accordance with the plan. To assist these efforts, OECF concluded a loan agreement in July, 1990, providing Paraguay with a loan for Road Improvement Project, completed in April, 1998, resulting in the rehabilitation of about 360km of paved main road. Road Improvement Project (II) will continue repair and rehabilitation of a further 617km of main road, with widening of the existing bridges, which will give significant improvement of Paraguay's main roads.

#### (2) Content of the Project

The Project comprises the following components for the improvement of roads in the east of the country, included in the National Development Program :

- 1) Rehabilitation of 3 sections of main road to the southeast of Asuncion (total length: 121.1km)
- 2) Surfacing of deteriorated sections of 5 existing paved main road sections (total length: 496km)
- 3) Widening of existing bridges, mainly along National Route No. 1
- 4) Consulting services for the above works.

#### (3) Effect of the Project

The project, which targets main roads of major economic and social importance, will contribute to expansion of freight traffic, especially of agricultural products to the main consuming areas, smoother traffic flow in the metropolitan region and reduction of traffic accidents near bridges. In addition, the project is expected to accelerate further development of the agricultural sector and promote regional trade, such as trade with Paraguay's Mercosur partners.

The loan is to be utilized for civil works, materials and equipment procurement, and consulting services.

The Borrower is the Government of the Republic of Paraguay. The Executing Agency is the Ministry of Public Works and Communication (Address: Oliva y Alberdi, Planta Baja, Asuncion, Paraguay, TEL: 595-21-445-709, FAX: 595-21-448-956)

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### 2. Agricultural Sector Strengthening Project (II)

#### (1) Need for the Project

Of Paraguay's 31 million agricultural production units, on which the agricultural sector, the foundation of the country's economy, as a whole depends, small-scale units (holdings of less than 20ha) account for about 80% (25 million). Most of these depend on traditional agricultural technology, and, in addition to low productivity, suffer from damage by harmful insects and the recent falling market prices of major crops, especially cotton. It is expected that large quantities of cheap agricultural imports will be entering Paraguay, as the member countries of the Mercosur, established as a Free Trade Association in 1995, plan to abolish regional tariff barriers completely between the member nations in 2005. Consequently, it is urgently necessary to strengthen the production base for the small-scale units, which account for half of Paraguay's population. The government of Paraguay plans to diversify agricultural production, to promote transfer of agricultural technologies, such as for the extermination of harmful insects, and organization of the farmers in order to improve the productivity of small-scale units. For the medium-scale units (holdings up to 300ha) which produce the country's principal exports (principally soybeans and livestock), the Government plans to improve productivity by promoting farmers' independent use of agricultural credit. The purpose of the project is to improve agricultural productivity in Paraguay by assisting both small-scale and medium-scale agricultural units.

#### (2) Outline of the project

The project comprises two components. One is a support program for small-scale units, to be implemented mainly by the Ministry of Agriculture and Livestock, the other is a support program for small-scale and medium-scale units, to be implemented by National Development Bank (BNF). The former comprises the following three subprojects, the latter being a two-step loan project providing agricultural credit for working capital in the agricultural, live-stock and agricultural produce-processing sector.

1) Improvement of small-scale infrastructure to strengthen the production base:

Dissemination of agricultural technology and assistance for organization for small-scale farmers through model farms, construction of farm roads and water supply facilities.

2) Agricultural credit for capital investment for individual small-scale units (through Agricultural Credit for Preparation / Credito Agricola de Habilitacion: CAH)

3) Agricultural credit for capital investment for organizations of small-scale units (through Farmer Development Fund / Fondo de Desarrollo Campesino: FDC)

### **(3) Effect of the project**

This project will contribute to improving the productivity and efficiency of small-scale units by improving infrastructure. The project will also contribute to expansion of the output of medium-scale units and of the country's exports. Strengthening the production base for both small-scale and medium-scale units will contribute greatly to attainment of sustainable economic development.

The loan is for civil works, procurement of materials and equipment, agricultural credit through CAH, FDC and BNF, and consulting services.

The Borrower is the Republic of Paraguay. The Executing Agency is The Ministry of Agriculture and Live-stock (Address: Alberdi 226, C/Pte. Franco, Asuncion, Paraguay, TEL: 595-21-443-762, FAX: 595-21-444-502)

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**Mercosur:**

Established in 1991. Mercosur started as a tariff agreement in January 1, 1995, with an eventual common market in view. The member nations are Argentina, Brazil, Paraguay and Uruguay.

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