Loan Agreement

(First Economic Management Development Policy Loan
With a Deferred Drawdown Option)

between

REPUBLIC OF PARAGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF PARAGUAY ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I A of Schedule I to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of two hundred million Dollars, (USD200,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").

2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.03. The Borrower shall pay to the Bank a stand-by fee of one-half of one percent (0.50%) per annum on the Unwithdrawn Loan Balance. The stand-by fee shall accrue from the Effective Date to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The stand-by fee shall be payable semi-annually in arrears on each Payment Date.

2.04. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06 (a) Except as otherwise provided in paragraph (b) of this Section, the principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

(b) The Borrower may at the time of requesting a Withdrawal also request repayment provisions different from those set out in Schedule 2 to this Agreement for such Withdrawal, provided that: (i) the average maturity of such Withdrawal does not exceed 20 years from the Withdrawal Date and the final maturity of such Withdrawal does not exceed 35 years from the Withdrawal Date (or such other average maturity and/or final maturity as may be generally applicable to loans made by the Bank to the Borrower at the time of such agreement); and (ii) such
repayment provisions have been agreed between the Borrower and the Bank prior to the Withdrawal Date of such Withdrawal.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program; and

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.
6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Finance  
*(Ministerio de Hacienda)*  
Chile 128  
Asunción, Paraguay;

With a copy to:  
State Sub-secretariat of Financial Management of the Ministry of Finance  
*(Subsecretaria de Estado de Administración Financiera del Ministerio de Hacienda)*

(b) the Borrower's Electronic Address is:

Facsimile: 59521-448-283  
E-mail: secretaria_general@hacienda.gov.py

With a copy to:  
Facsimile: 59521-493-641

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Bank's Electronic Address is:

Telex: 248423(MCI) or 64145(MCI)  
Facsimile: 1-202-477-6391  
E-mail: jschwartz3@worldbank.org
AGREED as of the Signature Date.

REPUBLIC OF PARAGUAY

By

Authorized Representative

Name: Benigno M. López D.
Title: Ministerio de Hacienda
Date: 14 de Abril del 2020

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Jordan Schwartz
Title: Country Director
Date: 13-Apr-2020
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

1. To support the facilitation of business entry and the reduction of the cost of starting a business, the Borrower has enacted a law creating the simplified joint-stock company type (Empresa Simplificada por Acciones), as evidenced by Law No. 6480, dated January 8, 2020 and published in the Borrower’s Official Gazette on January 13, 2020.

2. To support the improvement of risk management at the NCD and the reduction of foreign trade transactions costs, the Borrower: (a) through its Executive Branch, has amended the regulatory decree of the Customs Code to eliminate desk review of customs declarations for goods submitted for physical inspection (red channel), as evidenced by Decree No. 2908, dated November 25, 2019 and published in the Borrower’s Official Gazette on November 27, 2019; and (b) through the SEPRELAD, has issued a resolution establishing interchange of information requirements to be complied with by the NCD and the entities of the financial sector, as evidenced by Resolution No. 056, dated March 6, 2019.

3. To improve availability and quality of information to support forest management, the Borrower, through its Executive Branch, has adopted a decree regulating the establishment of the main interinstitutional, financial and functional structures of the Borrower’s National Forest Monitoring System that collects and publishes remote sensing information on forests, as evidenced by Decree No. 3246, dated January 10, 2020 and published in the Borrower’s Official Gazette on January 15, 2020.

4. To support the increase in the efficiency of enforcement of the forest legislation, the Borrower, through its Executive Branch, has updated the regulations on the regime of forest offenses, forest sanctions and the administrative proceedings for violations of forest legislation, as evidenced by Decree No. 3312, dated February 7, 2020, and published on the Borrower’s Official Gazette on February 13, 2020 and Resolution INFONA No. 094/2020, dated February 11, 2020.

5. To facilitate access to credit for the forestry sector: (a) AFD has issued resolutions that modified the credit line for commercial afforestation removing both the ceiling for maximum loan amounts and the explicit requirement to put the land on which the pertinent forest project is based as a collateral, as evidenced by Resolution AFD No. A68R01F140819 dated August 14, 2019 and Resolution AFD No. A11R02F060220 dated February 6, 2020; and (b) the BNF has issued a resolution that created a credit line for commercial afforestation, as evidenced by Resolution BNF No. 4-94 dated December 10, 2019.
6. To simplify and modernize its tax system, the Borrower has enacted a law that limits deductions in the personal income tax (PIT), creates a separate dividend and profits tax, unifies corporate profit tax and agriculture profit tax, and raises maximum rates on select excise taxes on products with negative environmental externalities, as evidenced by Law No. 6380, dated September 25, 2019 and published in the Borrower’s Official Gazette on September 25, 2019.

7. To support the facilitation of reduction of tax evasion, the Borrower has amended the Criminal Code to criminalize money-laundering of assets obtained from tax evasion, as evidenced by Law No. 6452, dated November 29, 2019 and published in the Borrower’s Official Gazette on December 2, 2019.

8. To support the improvement of public procurement, the Borrower, through its Executive Branch, has issued a decree that simplifies and consolidates the Borrower’s procurement regulatory framework and promotes centralization of public procurement of goods and services, as evidenced by Decree No. 2992, dated December 9, 2019 and published in the Borrower’s Official Gazette on December 20, 2019.

9. To support budget transparency, the Borrower, through the Minister of Finance, has issued a resolution, to be applicable as from the 2020 budget cycle, to adopt the digital web-platform called “Citizen Budget”, as evidenced by Resolution M.H.N. No. 20, dated January 13, 2020 and Resolution M.H.N. No.21, dated January 14, 2020.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>199,500,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>500,000</td>
</tr>
<tr>
<td>(3) Amount due pursuant to Section 4.05 (c) of the General Conditions</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>200,000,000</td>
</tr>
</tbody>
</table>
C. **Withdrawal of Loan Proceeds.**

If, at any time prior to the receipt by the Bank of a request for withdrawal of an amount of the Loan, the Bank determines that a review of the Borrower's macroeconomic policy framework or of its progress in carrying out the Program is warranted, the Bank shall give notice to the Borrower to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Loan Balance unless and until the Bank has notified the Borrower of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement, with: (1) the progress achieved by the Borrower in carrying out the Program; and (2) the adequacy of the Borrower's macroeconomic policy framework.

D. **Deposit of Loan Amounts.**

1. The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Guarani equivalent of the Loan proceeds will be credited; and (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems.

E. **Audit.** Upon the Bank’s request, the Borrower shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;

2. furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and

3. furnish to the Bank such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Bank shall reasonably request.

F. **Closing Date.** The Closing Date is June 30, 2023.
Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15 Beginning May 15, 2029 through May 15, 2050</td>
<td>2.27%</td>
</tr>
<tr>
<td>On November 15, 2050</td>
<td>2.39%</td>
</tr>
</tbody>
</table>
Section I. Definitions

1. “AFD” means Agencia Financiera de Desarrollo, a second-tier public development financing agency.

2. “BNF” means Banco Nacional de Fomento, the National Development Bank.

3. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018, with the modifications set forth in Section II of this Appendix.

4. “Guarani” means the lawful currency of the Borrower.

5. “INFONA” means Instituto Forestal Nacional, the Borrower’s National Forestry Institute.

6. “NCD” means Dirección Nacional de Aduanas, the Borrower’s National Customs Directorate.

7. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated February 13, 2020 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program’s objectives.

8. “SEPRELAD” means Secretaría de Prevención de Lavado de Dinero o Bienes, the Borrower’s Anti-Money Laundering Secretariat.

9. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

10. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In paragraph 54 of the Appendix, the term “Fixed Spread” is modified to read as follows:

“54. “Fixed Spread” means, for each Withdrawal, the Bank’s fixed spread for the Loan Currency of the Withdrawal in effect at 12:01 a.m. Washington, D.C. time, on the
Withdrawal Date, and expressed as a percentage per annum; provided, that: (a) for purposes
of determining the Default Interest Rate, pursuant to Section 3.02 (e), that is applicable to
an amount of the Withdrawn Loan Balance on which interest is payable at a Fixed Rate,
the “Fixed Spread” means the Bank’s fixed spread in effect at 12:01 a.m. Washington, D.C.
time, one calendar day prior to the date of the Loan Agreement, for the Currency of
denomination of such amount; (b) for purposes of a Conversion of the Variable Rate based
on a Variable Spread to a Variable Rate based on the Fixed Spread, and for purposes of
fixing the Variable Spread pursuant to Section 4.02, “Fixed Spread” means the Bank’s
fixed spread for the Loan Currency as reasonably determined
by
the Bank on the
Conversion Date; and (c) upon a Currency Conversion of all or any amount of the
Unwithdrawn Loan Balance, the Fixed Spread shall be adjusted on the Execution Date in
the manner specified in the Conversion Guidelines.”

2. In paragraph 73 of the Appendix, the term “Loan Payment” is modified to read as follows:

73. “Loan Payment” means any amount payable by the Loan Parties to the Bank
pursuant to the Legal Agreements, including (but not limited to) any amount of the
Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge,
interest at the Default Interest Rate (if any), standby fee, any prepayment premium, any
transaction fee for a Conversion or early termination of a Conversion, any premium
payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any
Unwinding Amount payable by the Borrower.

3. In paragraph 101 of the Appendix, the term “Variable Spread” is modified to read as
follows:

101. “Variable Spread” means, for each Withdrawal and each Interest Period: (a) (1)
the Bank’s standard lending spread for Loans in effect at 12:01 a.m. Washington, D.C.
time, on the Withdrawal Date; (2) minus (or plus) the weighted average margin, for the
Interest Period, below (or above) the Reference Rate, for six-month deposits, in respect of
the Bank’s outstanding borrowings or portions thereof allocated by it to fund loans that
carry interest at a rate based on the Variable Spread; as reasonably determined
by
the Bank
and expressed as a percentage per annum; and (b) in case of Conversions, the variable
spread, as applicable, as determined by the Bank in accordance with Conversion Guidelines
and notified to the Borrower pursuant to Section 4.01(c). In the case of a Loan denominated
in more than one Currency, “Variable Spread” applies separately to each of such
Currencies.”.

3. The following definitions of the terms “Withdrawal” and “Withdrawal Date” are inserted
as new paragraphs 102 and 103, respectively, and the remaining definitions and paragraphs
(as the case may be) renumbered accordingly:

102. “Withdrawal” means each amount of the Loan withdrawn by the Borrower from
the Loan Account pursuant to Section 2.01.

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103. “Withdrawal Date” means, for each Withdrawal, the date on which the Bank pays the Withdrawal.”