

LOAN NUMBER 9425-PY

Loan Agreement

(Paraguay Green and Resilient Development Policy Loan)

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 or supported under the Program and which are described in Section I.A of Schedule 1 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 forty million Dollars, (\$240,000,000), 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 Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable 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 January 15 and July 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 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;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraph (a) and (b) 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 a 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 any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 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 fifty (150) 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
(*Subsecretaría de Estado de Administración Financiera del Ministerio de Hacienda*)

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
59521-448-283	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:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	jschwartz3@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF PARAGUAY

By

Oscar Llamosas

Authorized Representative

Name: Oscar Llamosas

Title: Ministro de Hacienda

Date: 29-ago.-2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

J. Schwartz

Authorized Representative

Name: Jordan Schwartz

Title: Director

Date: 23-Aug-2022

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken or supported by the Borrower under the Program include the following:
1. To incentivize SMEs to reduce their greenhouse gas emissions, the AFD has established a credit line to finance energy efficiency improvements, including in the biomass energy sector, as evidenced by AFD's Resolution No. 3 included in AFD's Act No. 13/2022 dated February 23, 2022, and AFD's Letter No. GCM No. 4/2022 dated April 26, 2022.
 2. To facilitate financial institutions lending to forestry businesses in the plantation sector, the Superintendency of Banks has regulated the valuation of standing timber as loan collateral by establishing: (a) rules for the accreditation of professional valuers of the real right to standing timber (*derecho real de superficie forestal*); and (b) related technical valuation requirements, as evidenced, respectively, by: (i) Resolution SB. SG. No. 34/2022 dated April 6, 2022, and published on BCP's website; and (ii) Resolution SB. SG. No. 22/2022 dated February 25, 2022, and published on BCP's website.
 3. To increase climate resilience, improve the sustainability of natural resource use, and generate economies of scale among rural and peri-urban water and sanitation service providers, the Borrower, through its Executive Branch, has reformed the subsidy regime for water and sanitation service providers by eliminating unsustainable subsidies and encouraging a higher number of connections per water and sanitation system, as evidenced by Decree No. 7161 dated June 1, 2022, and published in the Official Gazette on June 2, 2022.
 4. To promote enhanced efficiency, effectiveness, and security of transactions, the Borrower has enacted a law for trust service providers to ensure that electronic transactions are as verifiable and legally binding as paper-based transactions, as evidenced by Law No. 6822/2021 dated December 30, 2021, and published in the Official Gazette on January 4, 2022.
 5. To strengthen resilience to climate change and conserve natural ecosystems, the Borrower has enacted a law that regulates fire use, management, and control, and the prevention of wildfires, as evidenced by Law No. 6818 dated October 12, 2021, and published in the Official Gazette on October 19, 2021.
 6. To better identify, mitigate and anticipate fiscal risks, including those related to climate change, the Borrower, through the Ministry of Finance, has mandated the annual publication of a fiscal risk report, including climate-related risks related to fiscal operations, as evidenced by Resolution MH No. 173 dated March 10, 2022, and Resolution SSEE No. 17 dated March 21, 2022.

7. To better align the central government budget with climate change policy priorities, the Borrower has: (a) through its Executive Branch, mandated the Ministry of Finance to promote the identification and measurement of public initiatives focused on climate change; and (b) through the Ministry of Finance, mandated the identification of public expenditures of the Ministry of Agriculture and Livestock related to climate adaptation and mitigation, as evidenced, respectively, by: (i) Article 9 of Decree No. 6581/22 dated January 25, 2022, and published in the Official Gazette on January 26, 2022; and (ii) Resolution MH No. 206 dated April 8, 2022.

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 is allocated in: (a) a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to pay the Front-end Fee. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in Dollars)
(1) Single Withdrawal Tranche	239,400,000
(2) Front-end Fee	600,000
TOTAL AMOUNT	240,000,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with 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 December 15, 2023.

SCHEDULE 2

Disbursement-Linked Amortization Repayment Schedule – Level Repayment

1. Subject to the provisions of Section 3.03 of the General Conditions, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each January 15 and July 15, the first installment to be payable on the eleventh (11th) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the thirty-second (32nd) Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one twenty-second ($1/22$) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after July 15, 2039, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.

APPENDIX

Section I. Definitions

1. “AFD” means *Agencia Financiera de Desarrollo*, a second-tier public development financing agency.
2. “BCP” means *Banco Central del Paraguay*, the Borrower’s central bank.
3. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
4. “Guarani” means the lawful currency of the Borrower.
5. “Official Gazette” means *Gaceta Oficial de la República del Paraguay*, the Borrower’s Official Gazette.
6. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 23, 2022 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 or supported by the Borrower, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
7. “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.
8. “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.
9. “SMEs” means small and medium enterprises.
10. “Superintendency of Banks” means *Superintendencia de Bancos*, the superintendency of banks established within the BCP.