Loan Agreement

(Additional Financing for the Sustainable Agriculture and Rural Development Project)

between

REPUBLIC OF PARAGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 6, 2013
LOAN AGREEMENT

Agreement dated December 2013, between REPUBLIC OF PARAGUAY ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred million Dollars (US$ 100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are April 15 and October 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, without any limitation or restriction upon any of its other obligations under the Original Loan Agreement, the Borrower shall: (a) carry out Parts 1, 2 and 3 of the Project through MAG, with the assistance of DINCAP and the participation of INDI in accordance with the INDI Participation Agreement; (b) carry out Part 4 (a) of the Project through MAG and MOF, with the assistance of DINCAP and the participation of SENACSA, in accordance with the SENACSA Participation Agreement; and (c) carry out Parts 4 (b) and 5 through MAG, with the assistance of DINCAP, all in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower, through MAG, and the Bank shall otherwise agree, the Borrower, through MAG, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) That INDI shall have failed to comply with any of its obligations under the INDI Participation Agreement.

(b) That SENACSA shall have failed to comply with any of its obligations under the SENACSA Participation Agreement.

4.02. The Additional Events of Acceleration consist of, namely, that any event specified in paragraphs (a) or (b) of 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 Conditions of Effectiveness consist of the following:

(a) The INDI Participation Agreement has been amended by the parties thereto, in a manner acceptable to the Bank.

(b) The Operational Manual has been updated by the Borrower, in a manner acceptable to the Bank.

5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on June 5, 2015.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:
Ministry of Finance
(Ministerio de Hacienda)
Chile 128
Asunción, Paraguay
Facsimile: 595 (21) 448-283
6.03. The Bank’s Address is:

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

Cable address: INTBAFRAD  Telex: 248423(MCI) or 64145(MCI)  Facsimile: 1-202-477-6391

AGREED at Asunción, Paraguay, as of the day and year first above written.

REPUBLIC OF PARAGUAY

By

Authorized Representative

Name: Germain Rojas
Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Penelope Brook
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve in a sustainable way the socio-economic condition of Small-Scale Farmers and Indigenous Communities in the Project Area, through the support of actions to strengthen their community organization, self-governance, and access to markets and value chains.

The Project consists of the following parts:


(a) Design and implementation of a training program, which program consists of the provision of training to Project extensionists (such as, microcatchment, Indigenous Communities, social organization technicians and rural communities in Target Areas), MAG’s personnel assigned to the Project, and other Project stakeholders on, inter alia: (i) conceptual and methodological aspects of the Project; (ii) Project administrative procedures; (iii) community development and strengthening of local organizations; (iv) principles and practices of participatory rural assessments, formation and operation of CDGs, IAs, MDCs and MSCs, participatory planning, and stakeholder monitoring; (v) sustainable natural resources management practices; (vi) on-farm production and off-farm income generation; (vii) gender sensitization; (viii) animal production and health practices; (ix) agricultural production techniques and good practices; and (x) any other area acceptable to the Bank, all for the benefit of Small-Scale Farmers and Indigenous Communities.

(b) Design and implementation of an environmental education program to, inter alia, raise awareness amongst Project stakeholders on the need to address environmental problems that would improve the livelihood of the rural population.

(c) (i) Provision of technical assistance: (A) to assist MAG in the selection of microcatchment areas, areas in which Indigenous Communities are located and Target Areas; (B) to improve the production capacity and the sustainable management of natural resources of Small-Scale Farmers, Indigenous Communities, and other Project stakeholders acceptable to the Bank; and (C) to establish MDCs and CDGs (as legal entities) in the areas mentioned in (A) herein, as applicable; and (ii) strengthening of existing CDGs, IAs and MSCs, all in accordance with the criteria set forth in the Operational Manual, and in a manner acceptable to the Bank.
(d) Design and implementation of a financial education program aimed at, inter alia, increasing knowledge amongst Project stakeholders about financial and commercial matters to improve their ability to optimize the monetary benefits from their agricultural production and marketing.

Part 2. Rural Extension and Adaptive Research

(a) (i) Carrying out of: (A) information workshops and participatory rural assessments in the selected areas referred to in Part 1 (c) (i) (A) of the Project; (B) an exchange of experiences program among Small-Scale Farmers, Indigenous Communities and other Project stakeholders; and (C) complementary socioeconomic and environmental diagnostic surveys/censuses in the selected areas referred to in Part 1 (c) (i) (A) of the Project; (ii) design of resource mapping of the selected areas referred to in Part 1 (c) (i) (A) of the Project; and (iii) provision of technical assistance and/or training to Beneficiaries in: (A) the preparation of MDPs, MIPs and ICDPs; (B) the formulation of Community Subprojects which shall be based on the corresponding MDP, MIP and ICDP; and (C) the implementation of Community Subprojects, the adoption of productive and environmental practices, and the improvement of marketing in respect of said subprojects.

(b) (i) Carrying out of on-farm technology validation trials for: (A) the improvement and validation of existing agricultural production technologies and practices aimed at diversifying production and addressing farming issues raised by Small-Scale Farmers, Indigenous Communities, and other Project stakeholders acceptable to the Bank; and (B) the adaptation and validation of existing productive systems to local agro-ecological conditions and/or to Small-Scale Farmers' production systems; and (ii) carrying out of the following activities to address technical and social constraints: (A) studies to identify and develop specialized markets (including access to the same) and inclusive value chains; (B) assessments on land tenure; (C) studies to support mainstreaming of natural resources management and rural development strategies into national policy; (D) feasibility studies to identify opportunities for new products in the areas referred to in Part 1 (c) (i) (A) of the Project; (E) assessments of alternative financial mechanisms so that the microcatchment development assistance to be provided under the Project is sustainable; and (F) any other study acceptable to the Bank.

(c) Strengthening the operational capacity of the ZCUs.

Part 3. Sustainable Rural Development Fund

Provision of Community Grants to carry out demand-driven investments, which investments consist of, inter alia: (i) home improvements and construction of sanitation infrastructure; (ii) adoption of sustainable land use practices; (iii) increasing crop and livestock production; (iv) post-harvest food processing and storage; (v) animal health
vaccination and identification of tagging activities, including the provision of training on animal health and production issues; (vi) forest and water conservation practices at farm levels; (vii) diversification and improvement of production systems to increase income; (viii) construction of minor water supply facilities; (ix) acquisition and utilization of minimum tillage equipment; (x) establishment of micro-enterprises; (xi) rehabilitation of roads (within the existing right of way); (xii) establishment of nurseries and/or greenhouses; (xiii) construction of waste disposal facilities, and recycling of pesticide containers; and (xiv) any other investment acceptable to the Bank.

**Part 4. Animal Health Improvement**

Strengthening of the institutional and operational capacity of: (a) SENACSA, through, *inter alia*: (i) the improvement of its management information system (*Sistema de Información de Gestión de Oficinas Regionales-SIGOR*); (ii) the improvement of laboratory facilities; (iii) the improvement of selected animal health control posts and units located within the Borrower’s territory; and (iv) the acquisition and utilization of equipment, and the provision of technical assistance and training required therefor; (b) VMG, through, *inter alia*: (i) the construction of small infrastructure (as approved by the Bank); (ii) the improvement of the Borrower’s genetic program for small-holders; (iii) the improvement of training programs on animal husbandry, animal health, artificial insemination and processing of agricultural products for small-holder livestock farmers; (iv) the improvement of pasture programs for small-holder livestock farmers; and (v) the acquisition and utilization of equipment, and the provision of technical assistance and training required therefor.

**Part 5. Project Management, Monitoring and Evaluation**

(a)  
(i) Strengthening of MAG’s institutional, operational, administrative and financial management capacity to enable MAG (including the operational and administrative capacity of the PMU, the Sub-UAF and the UOC) to assist the Borrower in the implementation, management, evaluation and monitoring of the Project; (ii) carrying out of semi-annual audits of Part 3 of the Project in a manner acceptable to the Bank; and (iii) carrying out of annual performance assessments of the PMU, the Sub-UAF, the UOC and the ZCUs.

(b) Design and implementation of a training program for MAG’s selected personnel on Project management, public sector accounting, organization and procurement, treasury management, and financial management and control (including accounting).

(c) Establishment and implementation of: (i) a Project management information system; (ii) a geographic information system; and (iii) a Project monitoring and evaluation system.
(d) Design and implementation of a communication and dissemination strategy, which strategy consists of, inter alia: (i) the carrying out of Project launch workshops, informational workshops, educational programs, and promotional and animal health campaigns at the national, departmental and local levels; (ii) the establishment and operation of a Project internet home page; (iii) the printing and distribution of informational material; and (iv) any other activity of similar nature acceptable to the Bank.
SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

A. The Borrower, through MAG, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

B. (a) For purposes of enabling INDI and SENACSA to continue providing the required assistance under the Project, the Borrower: (i) through MAG, shall amend the INDI Participation Agreement with INDI; and (ii) through MAG and MOF, shall, not later than one month after the Effective Date, amend the SENACSA Participation Agreement with SENACSA, all under terms and conditions approved by the Bank, which shall include, inter alia, those set forth in Schedule 4 to the Original Loan Agreement and the pertinent provisions of this Agreement, as applicable to INDI and SENACSA's roles under the Project, respectively.

(b) (i) The Borrower shall exercise its rights and carry out its obligations under the INDI Participation Agreement and the SENACSA Participation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce the INDI Participation Agreement and/or the SENACSA Participation Agreement, or any provision thereof.

C. (a) As part of the approval of Community Subprojects, the Borrower, through MAG, shall:

(i) carry out an environmental screening of the pertinent Community Subproject in accordance with the provisions of the Environmental and Social Management Framework;

(ii) if the environmental screening mentioned in (i) herein has identified potential negative environmental impacts (in which case the results of the screening shall include, inter alia, the pertinent mitigatory measures and their implementation timing), cause the pertinent Beneficiary to prepare and furnish to the Bank an environmental management plan, acceptable to the Bank, and thereafter carry out said plan in accordance with its terms and in a manner acceptable to the Bank pursuant to the terms of the corresponding Community Subproject Agreement; and
(iii) upon completion of said environmental screening and approval of the pertinent Community Subproject, and prior to the carrying out of said Community Subproject, the Borrower, through MAG, shall provide a Community Grant to the corresponding Beneficiary under a community subproject agreement (the Community Subproject Agreement) to be entered into between the Borrower, through MAG, and said Beneficiary under terms and conditions acceptable to the Bank, which shall include, inter alia, those set forth in Schedule 4 to this Agreement.

(b) (i) The Borrower shall exercise its rights and carry out its obligations under each Community Subproject Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and

(ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Community Subproject Agreement or any provision thereof.

D. In addition to the provisions of Section I.C above, the Borrower, through MAG, shall refrain from presenting to the Bank Loan withdrawal applications and/or withdrawing Loan proceeds from the Designated Account (all under Category (3)) to finance any given Community Subproject, until the Borrower has furnished to the Bank, evidence, acceptable to the Bank, indicating that the auditor to carry out the audits referred to in Part 5 (a) (ii) of the Project has been hired as provided in Section II.B.4 (a) of this Schedule.

E. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall: (i) carry out the Project in accordance with the provisions of: (A) the Operational Manual; (B) the Indigenous Peoples Planning Framework; and (C) the Environmental and Social Management Framework.

(b) In case of any conflict amongst the terms of the Operational Manual, the Indigenous Peoples Planning Framework, the Environmental and Social Management Framework and those of this Agreement, the terms of this Agreement shall prevail.

F. (a) The Borrower, through MAG, shall: (i) operate and maintain within DINCAP, at all times during Project implementation: (A) a Project management unit (the PMU); (B) an administrative financial sub-unit (the Sub-UAF); and (C) a procurement unit (the UOC), all with a structure, functions and responsibilities acceptable to the Bank, including those referred to in Part 5 (a) (i) of the Project and in the Operational Manual.
Manual; and (ii) within the structure of the PMU, operate and maintain, at all times during Project implementation, at least five zone coordination units (the ZCUs), all with a structure, functions and responsibilities set forth in the Operational Manual.

(b) The Borrower, through MAG, shall ensure that: (i) the PMU is at all times during Project implementation headed by a Project coordinator and assisted by professional staff (including, *inter alia*, an indigenous peoples specialist) and administrative staff; (ii) each ZCU is at all times during Project implementation headed by a zone coordinator and assisted by administrative staff (including, *inter alia*, a procurement assistant); (iii) the Sub-UAF, is at all times during Project implementation headed by a director and assisted by professional staff (including, *inter alia*, a financial management specialist and a disbursement specialist) and administrative staff; and (iv) the UOC, is at all times during Project implementation headed by a director and assisted by professional staff (including, *inter alia*, a procurement specialist) and administrative staff, all of the above in numbers and with terms of reference, and qualifications and experience, acceptable to the Bank.

(c) The Borrower, through MAG, undertakes that, unless the Bank may otherwise agree, the PMU, ZCU, Sub-UAF and UOC personnel assigned to the Project shall only be hired based on professional criteria and shall only be replaced for reasons related to performance. The performance of said personnel of the PMU, ZCU, Sub-UAF and UOC shall continue to be assessed once a year as referred to in Section I.K of this Schedule in a manner and under a criteria acceptable to the Bank.

G. The Borrower, through MAG, shall, operate and maintain, at all times during Project implementation: (a) a web page, on terms and in a manner acceptable to the Bank, for purposes of disseminating Project information to stakeholders; (b) a digital filing system, acceptable to the Bank, for purposes of storing documentation related to the Project’s procurement process and contract management (such as, payment certificates, invoices, receipts, and contract guarantees); and (c) the Project’s management information system referred to in Part 5 (c) (i) of the Project acceptable to the Bank.

H. The Borrower, through MAG, shall, and shall cause each Beneficiary to ensure that any works under the Project do not involve any Resettlement.

I. Without limitation to the provisions of Section I.C (a) of this Schedule, the Borrower, through MAG, shall furnish to the Bank, for its review and approval, the first three proposals in respect of the Community Subprojects referred to in Section I.C (a) of this Schedule.
J. The Borrower, through its MOF, shall follow a mechanism acceptable to the Bank for the payment of Foreign Expenditures.

K. The Borrower, through MAG, shall hire a human resources firm acceptable to the Bank, and under terms acceptable to the Bank, to assist MAG in, *inter alia*, the selection of the Borrower’s civil servants and individual consultants for the Project.

Section II. **Project Monitoring Reporting and Evaluation**

A. **Project Reports**

1. The Borrower, through MAG, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Project indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester (starting with the same calendar semester of the Effective Date), and shall be furnished to the Bank not later than forty five calendar days after the end of the period covered by such report.

2. Without limitation to the provisions of Section II.A.1 above, the Borrower, through MAG, shall: (a) not later than December 31, 2015, prepare and furnish to the Bank, a mid-term consolidated report of such scope and in such detail as the Bank may reasonably request, on the progress made by the Borrower in the carrying out of the Project, as of the date of presentation of said report; and (b) not later than March 31, 2018, prepare and furnish to the Bank, a final consolidated report of such scope and in such detail as the Bank may reasonably request, on the results and impact of the Project as of the date of presentation of said report.

B. **Financial Management, Financial Reports and Audits**

1. The Borrower, through MAG, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower, through MAG, shall prepare and furnish to the Bank as part of the Project Report, interim unaudited financial reports for the Project covering each calendar semester, in form and substance satisfactory to the Bank.

3. The Borrower, through MAG, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year
of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

4. Without limitation to the provisions of Section II.B.3 of this Schedule, and for purposes of carrying out Part 5 (a) (ii) of the Project, the Borrower shall: (a) hire independent financial auditor with experience and qualifications acceptable to the Bank, for purposes of carrying out the semi-annual audits referred to in said Part of the Project; (b) each calendar semester have Part 3 of the Project audited by the auditor mentioned in (a) herein, in accordance with terms of reference set forth in the Operational Manual, and consistently applied auditing financial standards, all acceptable to the Bank; and (c) not later than forty five calendar days after the completion of each said audit, furnish or cause to be furnished to the Bank the information as so audited, and such other information concerning the audited information and such auditors, as the Bank may from time to time reasonably request.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

4. Special Provisions. Without limitation to the provisions in Section III A.1 and 2 of this Schedule, the following additional provisions shall also govern the procurement of goods, works, non-consulting services and consultants' services under the Project (as the case may be):

(a) procurement of goods, works, non-consulting services and consultants' services (in respect of firms) shall be carried out using: (i) standard bidding documents, and standard requests for quotations/proposals (as
the case may be), which shall all include, *inter alia*, a settlement of dispute provision; (ii) model bid evaluation forms, and model quotations/proposals evaluation forms (as the case may be); and (iii) model contract forms, all acceptable to the Bank;

(b) bidders or consultants (as the case may be) shall not, as a condition for submitting bids or proposals and/or for contract award: (i) be required to be registered in Paraguay; (ii) have a representative in Paraguay; (iii) be associated or subcontract with Paraguayan suppliers, contractors or consultants; and (iv) be required to furnish evidence to the Borrower that they have purchase the standard bidding documents;

(c) without limitation to the provisions of paragraph (a) above: (i) standard bidding documents for the procurement of goods, works and non-consulting services under International Competitive Bidding procedures shall stipulate that the period for submitting bids shall be at least 45 calendar days from the date of notification and advertising of the Specific Procurement Notice as referred to in paragraph 2.8 of the Procurement Guidelines; (ii) standard bidding documents for the procurement of goods, works and non-consulting services under National Competitive Bidding procedures which: (A) goods, works and non-consulting services are estimated to cost $100,000 equivalent or more per contract, shall stipulate that the period for submitting bids shall be at least 30 calendar days from the date of notification and advertising of the specific procurement notice; and (B) goods, works and non-consulting services are estimated to cost less than $100,000 equivalent per contract, shall stipulate that the period for submitting bids shall be at least 20 calendar days from the date of notification and advertising of the specific procurement notice; and (iii) standard requests for quotations for the procurement of goods, works and non-consulting services under Shopping procedures which goods, works and non-consulting services are estimated to cost less than $20,000 equivalent per contract, shall stipulate that the period for submitting quotations shall be at least 10 calendar days from the date of notification and advertising of the specific procurement notice;

(d) (i) the Borrower, through MAG, shall supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the Bank; and (ii) update the Procurement Plan at least biannually, or as required by the Bank, to reflect the actual Project implementation needs and progress and shall supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter; and

(e) consultants shall not be required to submit bid or performance securities.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures which have been found acceptable to the Bank.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Single-source Selection of consulting firms; (c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (d) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works non-consulting services, consultants’ services, Operating Costs and Training and/or Workshops for Part 1 of the Project</td>
<td>3,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Operating Costs and Training and/or Workshops for Part 2 of the Project</td>
<td>27,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Community Grants</td>
<td>60,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, works, non-consulting services and Training and/or Workshops for Part 4 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Goods, works, non-consulting services, consultants’ services, Operating Costs and Training and/or Workshops for Part 5 of the Project</td>
<td>7,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>2,150,000</td>
<td></td>
</tr>
<tr>
<td>(7) Front-end Fee</td>
<td>250,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>100,000,000</td>
<td></td>
</tr>
</tbody>
</table>
For purposes of this table:

(a) the term “Training and/or Workshops” means expenditures (other than those for consultants’ services) incurred by the Borrower or the Beneficiaries, all as approved by the Bank on the basis of an annual budget acceptable to the Bank, to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable), training and/or workshop registration fees, and rental of training and/or workshop facilities and equipment under the Project; and

(b) the term “Operating Costs” means reasonable recurrent expenditures, based on an annual budget previously approved by the Bank, that would not have been incurred by: (i) the Borrower, through MAG, absent the Project, for transportation and per-diem costs of the PMU, the Sub-UAF, the UOC and ZCUs staff, Project administration costs (including office rent), operation and maintenance of office equipment, non-durable goods and salaries for civil servants assigned to carry out administrative (e.g. secretarial) responsibilities under the Project (but excluding any other type of civil servant salaries, and/or all civil servants bonuses (such as remuneración extraordinaria, remuneración adicional, gratificaciones por resultados, bonificaciones por responsabilidad en el cargo y gastos de residencia) to the Borrower’s personnel and/or to individual consultants hired under the Project); or (ii) the Beneficiaries, absent the respective Community Subproject, for, inter alia: (A) vehicle rental, operation and maintenance; (B) in-country travel per diem and allowances; (C) banking services and insurance costs; and (D) advertisement, communication and dissemination expenses.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 29, 2017.
SCHEDULE 3

Amortization Schedule

1. 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"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15: Beginning on <strong>April 15, 2022</strong> through <strong>October 15, 2022</strong></td>
<td>2.27%</td>
</tr>
<tr>
<td>On each April 15 and October 15: Beginning on <strong>April 15, 2023</strong> through <strong>October 15, 2024</strong></td>
<td>0.00%</td>
</tr>
<tr>
<td>On each April 15 and October 15: Beginning on <strong>April 15, 2025</strong> through <strong>October 15, 2032</strong></td>
<td>3.97%</td>
</tr>
<tr>
<td>On each April 15 and October 15: Beginning on <strong>April 15, 2033</strong> through <strong>April 15, 2043</strong></td>
<td>1.44%</td>
</tr>
<tr>
<td>On October 15, 2043</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this
Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. **(a)** Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

**(b)** Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

Terms and Conditions of Community Subproject Agreements

Each Community Subproject Agreement shall contain, *inter alia*, the following provisions:

(a) the obligation of the Borrower, through MAG:

(i) to promptly disburse to each Beneficiary the proceeds of the corresponding Community Grant in a manner acceptable to the Bank; and

(ii) to ensure that the pertinent Community Subproject is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the pertinent provisions of this Agreement;

(b) the right of the Borrower, through MAG, to take remedial actions against the pertinent Beneficiary in case said Beneficiary shall have failed to comply with any of its obligations under the pertinent Community Subproject Agreement (which actions may include, *inter alia*, the partial or total suspension and/or cancellation of the proceeds of the Community Grant (as the case may be), all as previously agreed with the Bank); and

(c) the obligation of each Beneficiary:

(i) to carry out the pertinent Community Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, social and cultural property practices, including in accordance with the provisions of the Anti-Corruption Guidelines (applicable to recipients of Loan proceeds other than the Borrower), the Operational Manual, the Environmental and Social Management Framework (including the pertinent environmental management plan) and the Indigenous Peoples Planning Framework (including the pertinent ICDP);

(ii) to use the Community Grant for purposes of partially financing the carrying out of the pertinent Community Subproject;
(iii) to, except as the Bank shall otherwise agree, provide a contribution of at least 15% of the cost of the Community Subproject (either through an in-kind contribution and/or the provision of labor), as well as facilities, services and other resources, necessary or appropriate to carry out the corresponding Community Subproject;

(iv) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Community Subproject Agreement or any provision thereof unless previously agreed by the Borrower, through MAG, and the Bank;

(v) if applicable, to comply, or caused to be complied, with the obligations referred to in Sections 5.05, 5.06 (a), 5.07, 5.10 and 5.11 of the General Conditions (relating to land acquisition, use of goods, works and services, plans, documents and records, cooperation and consultation and visits, respectively) in respect of said Community Subproject; and

(vi) to take or permit to be taken all action to enable the Borrower, through MAG, to comply with its obligations referred to in this Agreement, as applicable to the carrying out of Community Subprojects.
APPENDIX

Section I. Definitions


2. “Beneficiaries” means: (a) a municipality; and/or (b) an Indigenous Community (as defined in paragraph 16 (b) of this Appendix); and/or (c) an individual small farmer duly organized as a legal entity (as covered by the definition of Small-Scale Farmer set forth in paragraph 35(a) of this Appendix); and/or (e) a CDG duly organized as a legal entity; and/or (e) a group of CDGs duly organized as a legal entity, all of which have met the criteria set forth in the Operational Manual to be benefited by a Community Grant (as defined below).

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “CDG” means a community development group, mainly comprised of small farmers, which is organized as a legal entity under the Borrower’s legislation.

5. “Community Grant” means a matching grant in cash made out of part of the proceeds of the Loan allocated to Category (3) and to be provided by MAG to the corresponding Beneficiary in order to co-finance the reasonable costs of goods, works, non-consulting services, consultant services, Training and/or Workshops (as defined under Section IV.A.2.(a) of Schedule 2 to this Agreement) and Operating Costs (as defined under Section IV.A.2(b)(ii) of Schedule 2 to this Agreement), required for a Community Subproject, in accordance with ceiling amounts, terms and conditions set forth in the Operational Manual and provided in the respective Community Subproject Agreement.

6. “Community Subproject” means any of the investments under Part 3 of the Project.

7. “Community Subproject Agreement” means any of the agreements referred to in Section I.C (a) (iii) of Schedule 2 to this Agreement.


9. “DINCAP” means the Dirección Nacional de Coordinación y Administración de Proyectos, the National Directorate for the Coordination and Administration of Projects within MAG.
10. “Environmental and Social Management Framework” (formerly named Environmental Management Plan under the Original Loan Agreement) means the Borrower’s framework dated November 30, 2007 and updated on October 31, 2013, all acceptable to the Bank, which framework sets forth, inter alia: (a) the guidelines for carrying out the environmental screenings and the preparation of the environmental management plans referred to in Section I.C (a) (i) of Schedule 2 to this Agreement; (b) the actions to be followed in connection with the finding of cultural property; (c) the actions to prevent forest degradation and promote reforestation and regeneration of natural forests; (d) the actions to prevent natural habitat conversion or degradation; (e) the actions to mitigate any environmental negative impact as a result of the carrying out of the Project; and (f) pest management practices, as said framework may be amended from time to time with the agreement of the Bank.


12. “IA” means an indigenous association (which association may or may not be organized as a legal entity under the Borrower’s legislation), and located in the Project Area.

13. “ICDP” means any indigenous community development plan which contains, inter alia, the investments, priorities and/or needs of the corresponding Indigenous Community (as defined below) and is prepared in compliance with the requirements set forth in the Indigenous Peoples Planning Framework (as defined below).

14. “INDI” means Instituto Paraguayo del Indigena, the Borrower’s Indigenous People Institute.

15. “INDI Participation Agreement” means the agreement dated March 4, 2010 (including its Annex 1), as amended pursuant to Section I.B (a) (i) of Schedule 2 to this Agreement.

16. “Indigenous Community” means: (a) an indigenous group without being duly organized as a legal entity under the Borrower’s legislation; and/or (b) an indigenous group duly organized as a legal entity under the Borrower’s legislation (as the term “indigenous” is defined in the Indigenous Peoples Planning Framework (as defined below), as the case may be, all living in the Project Area, which meet the criteria set forth in the Operational Manual and to be benefited by the Project.

acceptable to the Bank, which framework sets forth, *inter alia*: (a) the measures through which the Borrower, through MAG, will ensure that Indigenous Communities (as defined above) receive social and economic benefits under the Project that are culturally appropriate; (b) the contents of the Project activities that will benefit Indigenous Communities; and (c) the principles, objectives and the contents to be included in each ICDP (as defined above), as said framework may be amended from time to time with the agreement of the Bank.


19. "MDC" means a microcatchment development committee (*Junta de Desarrollo de Microcuenca*) comprised of representatives of CDGs (as defined above) and other Project stakeholders living within the pertinent microcatchment area, which committee may or may not be organized as a legal entity under the Borrower’s legislation.

20. "MDP" means any microcatchment development plan which contains, *inter alia*, the investments, priorities and/or needs of any the corresponding MDC (as defined above).

21. "MIP" means any municipal investment plan which contains, *inter alia*, the investments, priorities and/or needs of the corresponding municipality.


23. "MSC" means a municipal steering committee comprised of representatives of the Indigenous Communities and MDCs (all as defined above), the corresponding municipalities which exercise jurisdiction over the pertinent microcatchment area, and other Project stakeholders.

24. "Operational Manual" means the Borrower’s manual, dated December 18, 2007, acceptable to the Bank, which manual sets forth, *inter alia*: (a) the criteria for selecting the areas referred to in Part 1 (c) (i) (A) of the Project; (b) the terms for establishing the CDGs, MDCs, and MSCs, including their functions and responsibilities; (c) the PMU, the Sub-UAF and the UOC structures and their functions and responsibilities (including those of the ZCUs); (d) the Project’s chart of accounts and internal controls; (e) the format of: (A) the unaudited interim financial reports referred to in Section II. B.2 of Schedule 2 to this Agreement; and (B) the Financial Statements; (f) the terms of reference for carrying out the Project audits and the audits under Section II.B.3 of Schedule 2 to this Agreement and Part 5 (a) (ii) of the Project, respectively; (g) the Project indicators (including the results framework); and (h) the Project disbursement and procurement procedures, as said manual may be updated and/or amended from time to time with the agreement of the Bank.
25. "Original Loan Agreement" means the loan agreement for the Original Project between the Borrower and the Bank, dated June 24, 2008 (Loan No. 7503-PA).

26. "Original Project" means the Project described in Schedule 1 to the Original Loan Agreement.

27. "PMU" means the unit referred to in Section I.F (a) (i) (A) of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.


29. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated November 5, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

30. "Project Area" means the Borrower’s departments of Caazapá, Caaguazú, Canindeyú, Concepción, and San Pedro, as such area may be expanded with the agreement of the Bank.

31. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

32. "SENACSA" means Servicio Nacional para la Calidad y Salud Animal, the Borrower’s National Service for Animal Health and Quality.

33. "SENACSA Participation Agreement" means the agreement dated December 2009, as amended pursuant to Section I.B (a) (ii) of Schedule 2 to this Agreement.

34. "SEPA" means the Bank’s publicly accessible Procurement Plans Execution System.

35. "Small-Scale Farmer" means: (a) an individual small farmer; and/or (b) a CDG (as the case may be), all living and/or located in the Project Area, which meet the criteria set forth in the Operational Manual to be benefited by the Project.
36. "Sub-UAF" means the sub-unit referred to in Section I.F (a) (i) (B) of Schedule 2 to this Agreement.

37. "Target Area" means any territory within a Project Area characterized by high levels of poverty which meets the criteria set forth in the Operational Manual.

38. "UOC" means the unit referred to in Section I.F (a) (i) (C) of Schedule 2 to this Agreement.

39. "VMG" means Vice-Ministerio de Ganadería, the Vice Ministry of Livestock within MAG (as defined above).

40. "ZCU" means any of the zone coordination units referred to in Section I.F (a) (ii) of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.