THE WORLD BANK
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Ing. Víctor Raúl Romero Solís
President
Administración Nacional de Electricidad (ANDE)
Avda. España No. 1268
Asunción, Paraguay

December 14, 2015

Re: REPUBLIC OF PARAGUAY: Loan No. 7994-PY (Energy Sector Strengthening Project)
Amendment to the Loan Agreement

Excellency:

Please refer to the Loan Agreement (the “Loan Agreement”) between the International Bank for Reconstruction and Development (the “Bank”) and Administración Nacional de Electricidad (the Borrower), dated February 23, 2011, for the above-captioned Project. Capitalized terms used in this letter (“Amendment Letter”) and not defined herein have the meaning ascribed to them in the Loan Agreement.

In response to the letter from the Minister of Finance, M.H. No. 921 to the Bank, dated September 2, 2015, attaching your letter No. 2972/2015, dated August 12, 2015, and as a result of our recent conversations on the subject, I am pleased to inform you that the Bank concurs with your request and therefore proposes to amend the Loan Agreement as follows:

1. Part 1 of Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as follows:

"Part 1. Modernizing the Borrower’s Distribution Management System and Installing an Advanced Metering System for Large Consumers

1.1. The purchase and installation of: (i) a supervisory control and data acquisition operating system with an energy management system application, including the provision of training to the Borrower’s staff on its use, maintenance and upgrading; (ii) a fiber optic network; (iii) active communication equipment for exchange of data from deployed remote terminal units to the supervisory control and data acquisition operating system; (iv) a wireless meshed network; and (v) a digital carrier equipment, all as part of the Borrower’s corporate communication system and real-time monitoring and secure operation power system."
1.2. Installation of a 66kV and 23kV advanced metering system which allows remote consumption metering and disconnection or reconnection of the Borrower’s large customers.

2. Part 2 of Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as follows:

"Part 2. Improving the Performance of the Transmission Network"

2.1. Construction of new substations below the existing transmission lines (excluding transmission line investments), including: (i) the construction of a new 220/23kV substation in the area of Barrio San Pedro in the Paraguayan District of Guajayvi; and (ii) the construction of a new 66kV substation in the Paraguayan District of Minga Porá.

2.2. (i) Modernization of about seventeen (17) existing substations including the expansion of the transformation capacity of said substations (excluding transmission line investments) through the purchase and installation of thirty-five (35) three-phase power transformers; and (ii) the purchase of: (a) a mobile 66/23kV-30MVA substation; (b) an 8x6 truck with modular trailer to transport power transformers; and (c) a mobile 23kV distribution center (a container with compact 23kV cells and auxiliary operations support equipment).

2.3. Purchase and installation of reactive power compensation equipment at the Guarambaré substation in the Paraguayan Central Department."

3. Part 3 of Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as follows:

"Part 3. Strengthening Paraguay’s Electricity Sector and the Borrower’s Institutional Capacity"

3.1. Provision of technical assistance for the analysis of the Borrower’s organizational structure and human resources needs.

3.2. Institutional strengthening of the Borrower’s capacity in investment and project planning and implementation, through, inter alia: (i) strategic support from international consultants with successful experience in the implementation of the supervisory control and data acquisition operating system with an energy management system application during the implementation of Part 1 of the Project; (ii) strengthening of the Borrower’s environmental and social unit
through provision of best practices and methodologies, and capacity building to ensure oversight of transmission investments under Part 1 and 2 of the Project; and (iii) strengthening of the Borrower's financial and asset management practices, its internal auditing unit, and provision of external auditors for the Project."

4. Section D.1 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   "D. Safeguards

1. The Borrower shall carry out the Project in accordance with the provisions and recommendations of: (a) the ESMF; (b) the two Environmental and Social Management Plans dated October 2010 for Part 2.1 of the Project (each including, inter alia, a Resettlement Plan with land acquisition procedures for the relevant sites); (c) the ten site-specific Environmental and Social Management Plans dated October 2010 for Parts 2.2 and 2.3 of the Project; and (d) the Environmental Management Plan dated November 20, 2015 for Parts 1 and 2.2 of the Project."

5. The table under Section IV.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as set forth in the attachment to this Amendment Letter.

6. Section IV. B.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   "The Closing Date is October 31, 2017."

7. The definition of "Safeguards Instruments" under paragraph 17 of the Appendix to the Loan Agreement is hereby amended to read in its entirety as follows:

   "17. "Safeguard Instruments" means the ESMF, the two Environmental and Social Management Plans dated October 2010 for Part 2.1 of the Project, the ten site-specific Environmental and Social Management Plans dated October 2010 for Parts 2.2 and 2.3 of the Project, the Environmental Management Plan dated November 20, 2015 for Parts 1 and 2.2 of the Project, and any other safeguard instruments which may become necessary during Project implementation as a result of the application of the ESMF to Project activities."
Please confirm your agreement with the foregoing amendment by signing and dating this Amendment Letter in the spaces provided below. Thenceforward, the provisions set forth in this Amendment Letter shall become effective as of the date first above written and all other provisions of the Loan Agreement, except as amended through this Amendment Letter, shall remain in full force and effect.

This Amendment Letter shall be executed in two counterparts, each of which shall be an original. Upon confirmation, please return one fully executed original to us.

Please also note that the restructuring paper dated December 10, 2015 (a copy of which is also attached herewith) will be disclosed on the Bank’s external website.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Jesko S. Hentschel
Director
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED:

ADMINISTRACIÓN NACIONAL DE ELECTRICIDAD

By: Authorized Representative
Ing. Víctor Romero Solís
Presidente

Name: __________________________________________
Title: __________________________________________
Date: 17 Dic 2015
## Attachment I

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, Non-Consultant Services and Training for Part 1 of the Project</td>
<td>25,631,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants' services, Non-Consultant Services and Training for Part 2 of the Project</td>
<td>71,769,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, consultants' services, Non-Consultant Services and Training for Part 3 of the Project</td>
<td>2,350,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) 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>(5) Premia for Interest Rate Caps and Interest Collars</td>
<td>0</td>
<td>Amounts payable pursuant to Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>100,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
Cc: Santiago Peña Palacios, Minister of Finance, Ministry of Finance

Stella Guillén, Director, Directorate of Debt Policy, Ministry of Finance