Loan Agreement

(Public Sector Development Policy Loan)

between

REPUBLIC OF PARAGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN AGREEMENT

Agreement dated as of the Signature Date (as defined in the Appendix to the Loan Agreement), entered into 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 (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule I to this Agreement, and (b) 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) 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 ($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").

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule I 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 LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 May 15 and November 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 2 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 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 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 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.

(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.

2.08. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), 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 5.08 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 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
without limitation upon the provisions of paragraphs (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 Events of Suspension consist of the following:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

(b) The Borrower's macroeconomic policy framework has become inconsistent with the objectives of the Program.

(c) Any action has been taken or a policy has been adopted to reverse any action or policy under the Program, including any action listed under Section I of Schedule 1 to this Agreement, in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

4.02. The Additional Events of Acceleration consist of the following:

(a) Any event specified in paragraph (c) of Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Bank to the Borrower.

(b) Any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs.

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. Without prejudice to the provisions of Article 9 of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the Signature Date, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on June 13, 2013.

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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: 59521-448-283

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 1-202-477-6391
Facsimile: 64145(MCI)

AGREED at Buenos Aires, Argentina, on behalf of the Bank on February 16, 2012, and at Asunción, Paraguay, on behalf of the Borrower on March 2, 2012.

REPUBLIC OF PARAGUAY

By

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
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. The Borrower has: (i) submitted to its legislative branch, for approval thereby, a draft law that will convert the CEP into a national council of state-owned enterprises responsible for, *inter alia*, overseeing state-owned enterprises, as evidenced by Letter No. 567 (dated December 15, 2010) signed by the Borrower’s President and Minister of Finance; and (ii) approved the organizational and operational manual of its Monitoring Unit of State-owned Enterprises, as evidenced by Resolution No. 365 (dated November 24, 2010).

2. The Borrower, through CEP, has ensured greater transparency in the management of state-owned enterprises by requiring state-owned enterprises to carry out annual external audits in accordance with CEP standards, as evidenced by the Audit Reports.

3. The Borrower has designed a strategy to liquidate the total amount of debt in arrears as of December 31, 2010 owed by the Borrower’s central administration agencies to state-owned enterprises in connection with the provision of public good and services and ensure the punctual payment of said public good and services by: (i) establishing an Inter-institutional Technical Commission, as evidenced by Resolution No. 219 (dated June 25, 2010); (ii) validating the debt in arrears mentioned herein, as evidenced by, *inter alia*, Letter No. 2465 (dated October 26, 2011) signed by the Borrower’s Minister of Finance; and (iii) establishing specific mechanisms to ensure timely payment of public good and services, as evidenced by, *inter alia*, Letter No. 2465 (dated October 26, 2011) signed by the Borrower’s Minister of Finance.

4. The Borrower, through CEP, has introduced a standardized results-based framework for state-owned enterprises aimed at increasing their service delivery capacity, through the signing of performance management contracts with 5 state-owned enterprises, whose expenditures in an aggregate represent approximately 80% of all state-owned enterprises’ annual expenditures, as evidenced by the Performance Management Contracts.

5. The Borrower, through its Ministry of Finance, has established a balanced scorecard that monitors state-owned enterprises’ economic, financial and technical performance, as evidenced by, *inter alia*, Letter No. 2465 (dated October 26, 2011) signed by the Borrower’s Minister of Finance.
6. The Borrower's Ministries of Agriculture and Livestock, Education and Culture, Public Health and Social Welfare, Public Works and Communication, Education and Culture and Finance, whose expenditures in an aggregate represent approximately 70% of the Borrower's central administration annual expenditure, have: (a) adopted internal control norms ("MECIP"), as evidenced by the Ministerial Resolutions; (c) initiated the implementation of the MECIP through the establishment of an internal control committee in each of said ministries, as evidenced by the Internal Control Committee Minutes; and (c) adequately trained their internal auditors, as evidenced by the Internal Audit Human Resource Reports.

7. The Borrower has strengthened its fiscal audit capacity in respect of Large Taxpayers by: (i) regulating SET's fiscal competency to audit financial institutions classified as Large Taxpayers, as evidenced by the Joint Resolution; and (ii) designing and carrying out of a tax training program for auditors of the Large Taxpayers Unit (Dirección General de Grandes Contribuyentes) of SET, as evidenced by, inter alia, Letter No. 2465 (dated October 26, 2011) signed by the Borrower's Minister of Finance.

8. The Borrower, through SET, has increased its fiscal audit performance by increasing the number of Large Taxpayers subject to tax audits to 40 audits in 2009 (from a baseline of 20 in 2008) and 32 audits (including 2 highly specialized audits) in 2010, as evidenced by, inter alia, Letter No. 2465 (dated October 26, 2011) signed by the Borrower's Minister of Finance.

9. The Borrower, through SET, has ensured greater transparency and tax compliance by issuing 122,609 tax-compliance certificates in 2009 and 280,105 tax-compliance certificate; in 2010, as evidenced by, inter alia, Letter No. 2465 (dated October 26, 2011) signed by the Borrower’s Minister of Finance.

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>Single Withdrawal Tranche</td>
<td>99,750,000</td>
</tr>
<tr>
<td>Front-end Fee</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>100,000,000</strong></td>
</tr>
</tbody>
</table>

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. **Deposits of Loan Amounts**

1. The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain, two deposits accounts on terms and conditions satisfactory to the Bank:
   - (a) a Foreign Currency Deposit Account in Dollars at the Borrower’s Central Bank; and
   - (b) a Local Currency Deposit Account in Guaranies (the official currency of the Borrower) at the Borrower’s Central Bank.

2. All withdrawals from the Loan Account shall be deposited by the Bank into the Foreign Currency Deposit Account. Upon each deposit of an amount of the Loan into the Foreign Currency Deposit Account, the Borrower shall deposit and equivalent amount into the Local Currency Deposit Account.

3. The Borrower shall furnish to the Bank as soon as possible, but not later than thirty (30) days after the deposit by the Bank in the Foreign Currency Deposit Account, a written confirmation that the Loan has been received in an account that forms part of the country’s official foreign exchange reserves and has been deposit and equivalent amount into the Local Currency Deposit Account.

E. **Audit.** The Borrower shall:

1. upon Bank’s request, have both Deposit Accounts audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, no later than six (6) months after disbursement of Loan proceeds to the Foreign Currency Deposit Account;
2. furnish to the Bank as soon as available, but in any case not later than six (6) months after the audit set forth above has been carried out, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request; and

3. furnish to the Bank such other information concerning the Deposit Accounts and their audit as the Bank shall reasonably request.

F. Excluded Expenditures. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

G. Closing Date. The Closing Date is December 31, 2013.
SCHEDULE 2

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 May 15 and November 15, Beginning May 15, 2022 through May 15, 2036</td>
<td>3.33%</td>
</tr>
<tr>
<td>On November 15, 2036</td>
<td>3.43%</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.
APPENDIX

Section I. Definitions

1. “Audit Reports” means the audit reports for fiscal years 2009 and 2010 of the following state-owned enterprises: (i) Administración Nacional de Electricidad: (A) audit report as of December 31, 2010, of April, 2011; and (B) audit report as of December 31, 2009, of March, 2010; (ii) Administración Nacional de Navegación y Puertos: (A) Letter dated June 21, 2011; and (B) audit report as of December 31, 2009, of July, 2010; (iii) Compañía Paraguaya de Comunicaciones S.A.: (A) audit report as of December 31, 2010, of April, 2011; and (B) audit report as of December 31, 2009, of April, 2010; (iv) Dirección Nacional de Aeronáutica Civil: (A) audit report as of December 31, 2010, of April, 2011; and (B) audit report as of December 31, 2009, of November, 2010; (v) Empresa Cañas Paraguayas S.A.: (A) audit report as of December 31, 2010, of June, 2011; and (B) audit report as of December 31, 2009, of June, 2011; (vi) Empresa de Servicios Sanitarios del Paraguay S.A.: (A) audit report as of December 31, 2010, of April, 2011; and (B) audit report as of December 31, 2009, of June, 2010; and (vii) Petróleos Paraguayos: (A) audit report as of December 31, 2010, of February, 2011; and (B) audit report as of December 31, 2009, of February, 2011.

2. “CEP” means the Council of State-owned Enterprises (Consejo de Empresas Públicas) made up of the Borrower’s Ministers of Finance, Public Works and Communications, and Trade and Industry, and the Borrower’s Attorney General, created by Decree 163 of August 25, 2008, as amended by Decree 1532 of February 20, 2009, and responsible for, inter alia, collaborating with the rest of the Borrower’s executive branch to determine the policy and strategy for management of public services, supervising the administration and management of state owned enterprises, and participating in the transformation and adaptation of the management of said state owned enterprises.


4. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published
by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

5. “Foreign Currency Deposit Account” means the account referred to in Part D.1 (a) of Section II of Schedule 1 to this Agreement.


7. “Internal Audit Human Resources Reports” means five (5) reports dated April 8, 2011, issued by the Borrower’s General Audit Bureau, which certify that the institutional capacity of the Borrower’s Ministries of Agriculture and Livestock, Education and Culture, Finance Public Health and Social Welfare and Public Works and Communications is adequate for implementing the MECIP.


9. “Inter-institutional Technical Commission” means the technical commission created by Resolution M.H. No. 219 issued by the Borrower’s Ministry of Finance and made up of representatives of the Borrower’s Ministry of Finance, state-owned enterprises and the Borrower’s General Audit Bureau, for purposes of determining debt amounts owed by central administration agencies to state-owned enterprises.

10. “Joint Resolution” means the Resolution No. 36/ Resolution No. 157 of September 14, 2010, jointly issued by SET and the Borrower’s Superintendency of Banks (Superintendencia de Bancos), which resolution regulates the fiscal competencies to audit those financial entities that are governed by Law No. 861/96 of May 9, 2006.

11. “Large Taxpayers” means the directory of taxpayers comprised of individuals and legal entities with the largest fiscal contribution that due to the nature of their
economic and financial activities are subject to detailed fiscal control, as defined by the Large Taxpayers Unit (Dirección General de Grandes Contribuyentes) of SET.

12. "Local Currency Deposit Account" means the account referred to in Part D.1 (b) of Section II of Schedule 1 to this Agreement.

13. "MECIP" means the standard model for internal control to be applied to all public entities (including state-owned enterprises) of the Borrower (Modelo Estándar de Control Interno de Paraguay or MECIP) approved by Decree No. 962 of November 27, 2008.

14. "Ministerial Resolutions" means (i) Resolution No. 1122 of August 8, 2008, issued by the Borrower’s Ministry of Agriculture and Livestock that adopts MECIP; (ii) Resolution No. 437 of October 23, 2008, issued by the Borrower’s Ministry of Agriculture and Livestock that establishes an internal control committee; (iii) Resolution No. 77 of October 8, 2008, issued by the Ministry of Finance that adopts MECIP; (iv) Resolution No. 9171 of October 16, 2009, issued by the Ministry of Education and Culture that adopts MECIP; (v) Resolution No. 5 of January 7, 2010, issued by the Ministry of Education and Culture that establishes and internal control committee; (vi) Resolution No. 152 of April, 2010, issued by the Ministry of Finance that establishes an internal control committee; (vii) Resolution No. 9 of August 22, 2008, issued by the Borrower’s Ministry of Public Health that adopts MECIP; (viii) Resolution No. 8525 of October 29, 2009, issued by the Borrower’s Ministry of Public Health that establishes an internal control committee; (ix) Resolution No. 922 of August 13, 2008, issued by the Ministry of Public Works and Communications that adopts MECIP; and (x) Resolution No. 1305 of November 24, 2008, issued by the Ministry of Public Works and Communications that establishes an internal control committee.


16. “Performance Management Contracts” means each of the following agreements: (i) the agreement entered into between, among other parties, the Borrower, through CEP, and the Administración Nacional de Electricidad, of 2010; (ii) the agreement entered into between, among other parties, the Borrower, through CEP, and the Compañía Paraguaya de Comunicaciones S.A., of October, 2009; (iii) the agreement entered into between, among other parties, the Borrower, through CEP, and the Empresa de Servicios Sanitarios del Paraguay S.A., of October, 2009; (iv) the agreement entered into between, among other parties, the Borrower, through CEP, and the Industria Nacional de Cemento, of October,
2009; and (v) the agreement entered into between, among other parties, the Borrower, through CEP, and the Petróleos Paraguayos, of October, 2009.

17. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in Letter No. 2464 (dated October 26, 2011) 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.

18. "SET" means the State Undersecretariat of Taxes (Subsecretaría de Estado de Tributación) within the Borrower's Ministry of Finance.

19. "Signature Date" means the latest of the two dates on which the Borrower and the Bank signed the Loan Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

20. "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 modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 5.06. Plans; Documents; Records

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... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”

6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 5.07. Program Monitoring and Evaluation

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

"Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(b) The term “Financial Statements” and its definition are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”