His Excellency  
Santiago Peña  
Minister of Finance  
Ministry of Finance  
Chile 128  
Asuncion, Paraguay  

Re: REPUBLIC OF PARAGUAY: Loan No. 7710-PY (Water and Sanitation Sector Modernization 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 the Republic of Paraguay (the Borrower), dated April 27, 2009 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 Borrower’s letter No. 1196 to the Bank dated August 28, 2014 requesting the Bank to: (i) add a new Category of Eligible Expenditures and to allocate funds to that Category to finance resettlement cash compensations with loan proceeds; (ii) reallocate Loan proceeds among disbursement Categories of Eligible Expenditures; (iii) modify the disbursement percentages for Categories of Eligible Expenditures (3) and (9); (iv) extend the Project’s Closing Date; and (v) modify some Project’s indicators, I am pleased to inform you that the Bank concurs with your request and therefore proposes to amend the Loan Agreement as follows:

1. Parts 2 (e) and (f) of Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as follows:

“(e) Carrying out of selected investments on sanitation infrastructure, which may consist of, inter alia, the construction, rehabilitation, improvement and/or expansion of sanitation infrastructure, all as approved by the Bank, including the acquisition of land and the provision of cash compensation for involuntary resettlement related to the implementation of the RAP.
(f) Provision of technical assistance to ESSAP to carry out the audits referred to in Section II.B.4 (a) (ii), II.B.5 and II.B.6 of Schedule 2 to this Agreement.”

2. Section I.F of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“F. (i) Without limitation to the pertinent provisions of this Agreement, and if as a result of the definition of the zone of impact in respect of any given investment under Parts 2 (b) and/or (c) of the Project and/or of the carrying out of the pertinent environmental/social screening and/or environmental/social assessment (as referred to in Section I.E of this Schedule), it is determined that Resettlement will be involved in respect of any given investment, the Borrower, through MOPC, shall: (a) cause ESSAP to, prior to the carrying out of any works under the corresponding investment, prepare and furnish to the Bank, a resettlement plan (acceptable to the Bank) for each said investment (which plan shall be consistent with the provisions of the Involuntary Resettlement and Land Acquisition Policy Framework); and (b) immediately thereafter implement and/or cause ESSAP to implement each resettlement plan in accordance with its terms, and in a manner acceptable to the Bank.

(ii) Without limitation to the provisions of this Section, the Borrower, through MOPC, shall cause ESSAP to ensure that Part 2 (e) of the Project is carried out in accordance with the RAP.”

3. Section I.N. (a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“N. (a) The Borrower, through MOPC, shall cause ESSAP to operate and maintain, at all times during Project implementation: (i) the SEU with a structure, functions and responsibilities acceptable to the Bank; (ii) a resettlement committee (“Resettlement Committee”) which shall be responsible for, inter alia, the supervision of the RAP payment processes, and shall be assigned with members, all in reference, and qualifications and experience acceptable to the Bank.”

4. The following Section II.B.6 is added to Schedule 2 to the Loan Agreement as follows:

“6. Without limitation to the provisions of Sections II.B.4 (a) (ii) and II.B.5 of this Schedule, the Borrower, through MOPC, shall cause ESSAP to:
(a) not later than ninety (90) days after the countersignature of the Amendment Letter, hire an auditor acceptable to the Bank to carry out bimonthly concurrent financial and technical audits of the implementation of the RAP (starting with the calendar two-month period in which the first expenditures are incurred under the RAP), all in accordance with terms of reference acceptable to the Bank; and (b) not later than forty-five (45) after the end of each calendar two-month period, furnish to the Bank the pertinent calendar two-month period audit report on terms acceptable to the Bank, and any other information concerning said audited documentation and such auditors, as the Bank may from time to time reasonably request.”

5. The table in Section IV.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as set forth in attachment 1 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:

“2. The Closing Date is September 30, 2017”.

7. The following definitions are added (in their corresponding alphabetical order) to the Appendix to the Loan Agreement and the remaining paragraphs are renumbered as applicable:

“RAP’ means the resettlement action plan dated August 20, 2014, prepared and adopted by ESSAP under Part 2 (e) of the Project, published in the website http://www.essap.com.py/planta-de-tratamiento-de-aguas-residuales-cuenca-bella-vista, said plan in form and substance satisfactory to the Bank, in respect of an identified investment under Part 2(e) of the Project and containing a program of actions, measures and policies for compensation and resettlement of affected persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, all in accordance with the Involuntary Resettlement and Land Acquisition Policy Framework and as the said plan may be amended and/or supplemented from time to time with the prior written approval of the Bank.”

“Resettlement Committee’ means the committee referred to in Section I.N. (a) (ii) of Schedule 2 to this Agreement.”

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 of the countersignature 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 February 5, 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 Hentschel
Director
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF PARAGUAY

By: Authorized Representative

Name: Ramón Ramírez Caballero
Ministro Sustituto de Hacienda

Title: 27 MAR. 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 (excluding Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, audits, Non-Consultant Services, Training and/or Operating Costs under Part 1 (a), (b), (d) and (e) of the Project</td>
<td>2,840,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consultants’ services, Non-Consultant Services, Training and/or Operating Costs under Part 1 (c) of the Project</td>
<td>1,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods and consultants’ services (in respect of consulting firms), under Part 2 (a), (b), (c), (d) and (e) of the Project</td>
<td>14,000,000</td>
<td>70%</td>
</tr>
<tr>
<td>(4) Consultants’ services (in respect of individual consultants), audits, Non-Consultant Services, Training and/or Operating Costs under Part 2 (a), (b), (c), (d) and (f) of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Works under Part 2 (b) of the Project</td>
<td>7,200,000</td>
<td>80%</td>
</tr>
<tr>
<td>(6) Works under Part 2 (e) of the Project</td>
<td>26,320,000</td>
<td>80%</td>
</tr>
<tr>
<td>(7) Goods, and consultants’ services (in respect of consulting firms) under Part 3 (a) and (d) of the Project</td>
<td>545,000</td>
<td>40%</td>
</tr>
<tr>
<td>(8) Works, goods, consultants’ services and/or Training under Subprojects</td>
<td>8,040,000</td>
<td>80%</td>
</tr>
<tr>
<td>(9) Consultants’ services (in respect of individual consultants), audits, Non-Consultant Services, Training and/or Operating Costs under Part 3 (a), (d) and (e) of the Project</td>
<td>915,000</td>
<td>90%</td>
</tr>
<tr>
<td>(10) Front-end Fee</td>
<td>160,000</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>Category</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be financed (excluding Taxes)</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>(11) 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>(12) Land acquisition and cash compensation paid for involuntary resettlement related to the implementation of the RAP under Part 2(e) of the Project</td>
<td>880,000</td>
<td>80%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>64,000,000</td>
<td></td>
</tr>
</tbody>
</table>