

Loan Agreement No. PG-P19

LOAN AGREEMENT

For

Project for Improving Efficiency of the National Electric Power
System

Between

JAPAN INTERNATIONAL COOPERATION AGENCY

And

LA ADMINISTRACIÓN NACIONAL DE ELECTRICIDAD

Dated August 18 , 2021

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Loan Agreement No. PG-P19, dated August 18, 2021, between the JAPAN INTERNATIONAL COOPERATION AGENCY and LA ADMINISTRACIÓN NACIONAL DE ELECTRICIDAD

On the basis of the Exchange of Notes between THE GOVERNMENT OF JAPAN and THE GOVERNMENT OF THE REPUBLIC OF PARAGUAY dated August 4, 2021 concerning a Japanese loan to be extended with a view to promoting the economic stabilization and development efforts of the Republic of Paraguay,

the JAPAN INTERNATIONAL COOPERATION AGENCY (hereinafter referred to as "**JICA**") and LA ADMINISTRACIÓN NACIONAL DE ELECTRICIDAD (hereinafter referred to as the "**Borrower**") herewith conclude the following Loan Agreement (hereinafter referred to as the "**Loan Agreement**", which includes all agreements supplemental hereto).

Article I

Loan

Section 1. Amount and Purpose of Loan

JICA agrees to lend the Borrower an amount not exceeding NINE BILLION TWO HUNDRED NINETY FOUR MILLION Japanese Yen (¥9,294,000,000) as the principal for the implementation of the Project for Improving Efficiency of the National Electric Power System described in Schedule 1 attached hereto (hereinafter referred to as the "**Project**") in the form of co-financing with the Inter-American Development Bank (hereinafter referred to as "**IDB**") on the terms and conditions set forth in the Loan Agreement and in accordance with the relevant laws and regulations of Japan (hereinafter referred to as the "**Loan**"); provided, however, that when the cumulative total of disbursements under the Loan Agreement reaches the above-mentioned maximum amount of the Loan, JICA shall make no further disbursement.

Section 2. Use of Proceeds of Loan

- (1) The Borrower shall use the proceeds of the Loan for the purchase of eligible goods and services necessary for the implementation of the Project from suppliers or contractors (hereinafter collectively referred to as the "**Supplier(s)**") of the eligible source country(ies) described in Section 2. of Schedule 4 attached hereto (hereinafter referred to as the "**Eligible Source Country(ies)**") in accordance with the allocation described in Schedule 2 attached hereto.
- (2) The final disbursement under the Loan Agreement shall be made within the period from the Effective Date of the Loan Agreement to the same day and month six (6) years after the Effective Date of the Loan Agreement unless otherwise agreed upon between JICA and the Borrower (hereinafter referred to as the "**Disbursement Period**"), and no further disbursement shall be made by JICA after the Disbursement Period has expired.
- (3) Notwithstanding the stipulation in Section 2. (2) above, if the expiry date of the Disbursement Period is not a banking business day in Japan, the immediately succeeding banking business day in Japan shall be deemed the expiry date of the Disbursement Period.
- (4) Notwithstanding the stipulation of Section 1. above, no disbursement shall be made under the Loan Agreement in respect of payments made prior to the date of Exchange of Notes first above written for expenditures to purchase eligible goods and services necessary for the implementation of the Project from the Supplier(s).

Article II

Repayment, Interest and Front-End Fee

Section 1. Repayment of Principal

The Borrower shall repay the principal of the Loan to JICA in accordance with the Amortization Schedule as set forth in Schedule 3 attached hereto.

Section 2. Interest and Method of Payment thereof

- (1) The Borrower shall pay the interest on the Loan to JICA semi-annually on February 20 and August 20 each year (hereinafter each referred to as the "**Payment Date**") in arrears at the rate of one and thirty five-hundredths percent (1.35%) per annum on the principal corresponding to category (a) below disbursed (hereinafter referred to as the "**Principal (I)**") and outstanding for each Interest Period:
 - (a) the principal of the Loan allocated to Category (A) (provided for in Section 1. of Schedule 2 attached hereto).
- (2) The Borrower shall pay the interest on the Loan to JICA semi-annually on February 20 and August 20 each year (hereinafter each referred to as the "**Payment Date**") in arrears at the rate of one and fifteen-hundredths percent (1.15%) per annum on the principal corresponding to category (a) below disbursed (hereinafter referred to as the "**Principal (II)**") and outstanding for each Interest Period:
 - (a) the principal of the Loan allocated to Category (B) (provided for in Section 1. of Schedule 2 attached hereto).

Section 3. Front-End Fee and Method of Payment thereof

The Borrower shall pay the Front-End Fee as stipulated in Section 3.05. of the General Terms and Conditions.

Article III

Particular Covenants

Section 1. General Terms and Conditions

Other terms and conditions generally applicable to the Loan Agreement shall be set forth in JICA's General Terms and Conditions for Japanese ODA Loans, dated November 2014 (hereinafter referred to as the "**General Terms and Conditions**"), with the following supplemental stipulations:

- (1) The term "principal" wherever mentioned in the General Terms and Conditions shall be replaced by "Principal (I) and Principal (II)".
- (2) Section 3.02. (2) of the General Terms and Conditions shall be read as follows:
 - (2) When all disbursements to be made under the Loan Agreement have been completed:
 - (a) if there has been any reallocation between Categories which caused any changes in the amounts of Principal (I) and Principal (II), the amortization schedule attached to the Loan Agreement shall be recalculated and amended by JICA based on the amounts of Principal (I) and Principal (II) after such reallocation (hereinafter referred to as the "**Recalculated Schedule**"); and
 - (b) if the cumulative total of all disbursements is less than the maximum amount of the Loan stipulated therein, the difference between the maximum amount of the Loan and the cumulative total of all disbursements shall be deducted proportionately from all subsequent installments of repayment of the principal, as indicated in the amortization schedule attached to the Loan Agreement, or the Recalculated Schedule, if any reallocation as stipulated in paragraph (a) above was made, as applicable, excluding the Subsequent Installments;
 - (c) provided, however, that all fractions of less than ONE THOUSAND Japanese Yen (¥1,000) of such subsequent installments after the calculations in accordance with paragraph(s) (a) and/or (b) above, shall be added to the first installment of the subsequent installments.

- (3) With regard to Section 3.08. (1) of the General Terms and Conditions, the Borrower shall have all repayment and/or prepayment of principal and payment of Refund, interest and Any Other Charges under the Loan Agreement credited to "JICA-Loan" account No. 0207787 with MUFG Bank, Ltd., Head Office, Japan.
- (4) The following (i) shall be added to Section 6.01. of the General Terms and Conditions:
- (i) An event that IDB shall, under the provisions of the loan agreements between IDB and the Borrower for the Project, become itself entitled to suspend or terminate disbursement to the Borrower and/or to declare all of the principal then outstanding, with the interest and the charges thereon to be due and payable immediately.
- (5) The following shall be substituted for Section 10.03. of the General Terms and Conditions:

The Loan Agreement shall become effective on the date on which (i) JICA declares itself satisfied with the evidence of authority and the specimen signatures referred to in Section 10.01., paragraph (1), the Legal Opinion mentioned in Section 10.02., paragraph (1), and the Guarantee, if any, after JICA confirms (ii) the Loan Contract for "Project for Improving Efficiency of the National Electric Power System" executed by and between IDB and the Borrower dated as of August 18, 2021 shall have been duly executed and delivered, and all conditions precedent to its effectiveness other than a condition requiring the effectiveness of the Loan Agreement shall have been fulfilled or arrangements satisfactory to JICA shall have been made for the fulfillment thereof, within a period of time satisfactory to JICA, unless waived by JICA.

JICA shall immediately notify the Borrower in writing of the Effective Date of the Loan Agreement.

Section 2. Guarantee for Loan

- (1) The Borrower shall, in accordance with Section 7.02. of the General Terms and Conditions, cause a Guarantee executed by THE REPUBLIC OF PARAGUAY (hereinafter referred to as the "**Guarantor**") to be given to JICA immediately after the execution of the Loan Agreement.

Section 3. Procurement Procedure

The guidelines for procurement mentioned in Section 4.01. of the General Terms and Conditions shall be as stipulated in the Procurement Procedure attached hereto as Schedule 4.

Section 4. Disbursement Procedure

The disbursement procedure mentioned in Section 5.01. of the General Terms and Conditions shall be Advance Procedure as stipulated in the Schedule attached hereto.

Section 5. Administration of Loan

- (1) JICA appoints IDB as the Project Administrator in accordance with the Framework Agreement between IDB and JICA for Cofinancing for Renewable Energy and Energy Efficiency signed on March 16, 2012 and its subsequent amendments dated March 29, 2014, April 9, 2016, December 15, 2016 and March 24, 2021, as may be further amended from time to time (hereinafter referred to as the "**Framework Agreement**"), to undertake the following activities on behalf of JICA in accordance with IDB policy and its normal procedures:
 - (i) Supervision (review and concurrence) on procurement procedures of goods, works and/or services (consulting and non-consulting services) for the Loan Agreement.
 - (ii) Review of disbursement documents submitted by the Borrower for the Loan Agreement and forwarding such documents to JICA.
- (2) Should the funds available from the proceeds of the Loan be insufficient for the implementation of the Project, the Borrower shall make arrangements promptly to provide such funds as shall be needed.
- (3) The Borrower shall furnish JICA, via IDB, with progress reports for the Project in the agreed form with IDB semi-annually until the Project is completed.

- (4) Promptly, but in any event not later than six (6) months after completion of the Project, the Borrower shall furnish JICA, via IDB, with a project completion report in the agreed form and in the agreed detail with IDB.
- (5) Should JICA find that the Project might not be implemented smoothly on the ground that Supplier(s) might have a difficulty in receiving the payment out of the proceeds of the Loan, the Borrower shall take all necessary measures to enable the smooth implementation of the Project.

Section 6. Table of Contents and Headings

Table of contents and the headings of Articles or Sections herein are inserted for convenient reference only, are not part of the Loan Agreement and do not affect the construction of, or be taken into consideration in interpreting the Loan Agreement.

Section 7. Notices and Requests

The following addresses are specified for the purpose of Section 9.03. of the General Terms and Conditions:

For JICA

Postal address:

JAPAN INTERNATIONAL COOPERATION AGENCY
JICA PARAGUAY OFFICE

Avenida Mariscal López 3794 Esquina Cruz del Chaco,
Edificio Citibank Center Piso 5,
Asunción, Paraguay

Attention: Chief Representative

For the Borrower

Postal address:

LA ADMINISTRACIÓN NACIONAL DE ELECTRICIDAD
(ANDE)

Avda. España 1268, Casi Padre Cardozo, Asunción, Paraguay

Attention: Presidency

If the above addresses and/or names are changed, the party concerned shall immediately notify the other party hereto in writing of the new addresses and/or names.

IN WITNESS WHEREOF, JICA and the Borrower, acting through their duly authorized representatives, have caused the Loan Agreement to be duly executed in their respective names and delivered at Asunción, Paraguay, as of the day and year first above written.

For

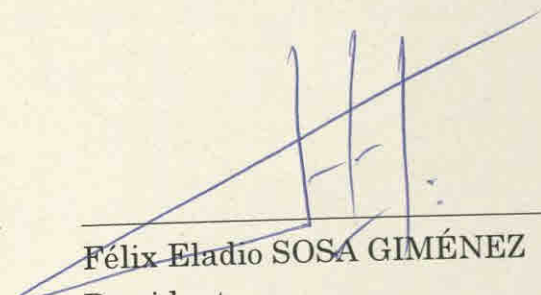
JAPAN INTERNATIONAL
COOPERATION AGENCY

福井 康

FUKUI Yasushi
Chief Representative
JICA Paraguay Office

For

LA ADMINISTRACIÓN NACIONAL
DE ELECTRICIDAD


Félix Eladio SOSA GIMÉNEZ
President

Schedule 1

Description of Project

Section 1. Outline of the Project

(1) Objective:

The objective of the Project is to provide stable and efficient power supply to the metropolitan area by constructing 500kV transmission line between Yguazú and Valenzuela as well as implement energy efficient equipment for public facilities in the area, thereby contributing to the efficient electric power system and the sustainable economic development of the country.

(2) Location:

Between Yguazú (Department of Alto Paraná) and Valenzuela (Department of Cordillera), and Asunción

(3) Executing Agency:

La Administración Nacional de Electricidad (ANDE)

(4) Scope of the Work:

- (a) Civil works (500kV transmission line)
- (b) Civil works (Energy efficient equipment)
- (c) Program management and administration

The proceeds of the Loan are available for the above items (a) and (b).

Any balances remaining on the aforementioned items are to be financed by IDB and the Borrower.

Section 2. Limitation of Government Budget

Disbursement of the proceeds of the Loan shall be made within the limit of the Japanese Government's annual budgetary appropriations for JICA.

Schedule 2

Allocation of Proceeds of Loan

Section 1. Allocation

Category	Amount of the Loan Allocated (in million Japanese Yen)	% of Expenditure to be Financed
(A) Designated Account (D/A) for Civil works (500kV transmission line)	8,419	100%
(B) Designated Account (D/A) for Civil works (Energy efficient equipment)	875	100%
Total		9,294

Note: Items not eligible for financing are as shown below.

- (a) General administration expenses
- (b) Taxes and duties
- (c) Purchase of land and other real property
- (d) Compensation
- (e) Other indirect items

With regard to disbursement in any of Categories (A) and (B), the amount to be disbursed shall be calculated from the eligible expenditure by multiplying with the percentage of the respective Category stipulated in this section, unless otherwise agreed upon between JICA and the Borrower.

Section 2. Reallocation upon change in cost estimates

If the estimated cost of items included in any of Categories (A) and (B) shall increase, the amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan, will be allocated by JICA, at the request of the Borrower, to such Category from other Categories, subject, however, to the requirements for contingencies, as determined by JICA, in respect of the cost of items in the other Categories.

Schedule 3

Amortization Schedule

1. Repayment of Principal (I)

Due Date

Amount
(in Japanese Yen)

On August 20, 2031

205,360,000

On each February 20 and August 20
beginning February 20, 2032
through August 20, 2051

205,341,000

2. Repayment of Principal (II)

Due Date

Amount
(in Japanese Yen)

On August 20, 2031

21,360,000

On each February 20 and August 20
beginning February 20, 2032
through August 20, 2051

21,341,000

Schedule 4

Procurement Procedure

Section 1. Guidelines to be used for procurement under the Loan

Procurement of all goods and services including consulting services, to be financed out of the proceeds of the Loan shall be in accordance with the Framework Agreement.

Section 2. Eligible Source Country(ies)

The Eligible Source Country(ies) for procurement of all goods and services (including consulting services) to be financed out of the proceeds of the Loan are in accordance with the Framework Agreement.

Section 3. JICA's review of decisions relating to procurement of goods and services (except consulting services)

Once completing satisfactorily the procurement process under IDB's review, the Borrower shall furnish IDB a copy of the contract in the agreed form with IDB. IDB submits them to JICA for JICA's reference in accordance with the Framework Agreement.

Schedule 5

Advance Procedure

Disbursement Handbook on the Framework Agreement in effect at the date of signing of the Loan Agreement and as may be amended from time to time (hereinafter referred to as the "**Handbook**"), shall be applied with the following supplemental stipulation, for disbursement of the proceeds of the Loan allocated to Categories (A) and (B) as specified in Section 1. of Schedule 2 attached to the Loan Agreement for the payments to be made to the Supplier(s).

Section 1. Procedure

- (1) The designated foreign exchange bank in Tokyo shall be the MUFG Bank, Ltd., Tokyo (hereinafter referred to as the "**Paying Bank**").
- (2) The designated foreign exchange bank in the territory of the Borrower shall be the Central Bank of Paraguay (hereinafter referred to as the "**Agent Bank**") and it shall act as the agent for the purposes of effecting any transactions required by the Borrower under this procedure.
- (3) Immediately after the signing of the Loan Agreement, the Borrower shall, exclusively for the Project, open and maintain (i) a non-resident Japanese Yen account (hereinafter referred to as the "**Loan Account**") in accordance with the relevant laws and regulations of Japan in advance with the Paying Bank and (ii) two (2) designated accounts denominated in Japanese Yen (hereinafter collectively referred to as the "**Designated Account**") with the Agent Bank for disbursements of the proceeds of the Loan allocated to Categories (A) and (B). The payments for eligible expenditures are made from the Designated Accounts in accordance with the Handbook, subject to the followings:
 - (a) From the Designated Account for Category (A), the total disbursement shall be in the amount not exceeding the amount allocated to Category (A).

(b) From the Designated Account for Category (B), the total disbursement shall be in the amount not exceeding the amount allocated to Category (B).

Section 2. Request for Disbursement

- (1) The Borrower shall request JICA to make disbursement by submitting, via the IDB, the required disbursement documents set forth under the Handbook.
- (2) The Borrower shall make the request mentioned above so that JICA can receive the necessary documents, in principle, not less than fifteen (15) business days prior to (i) the expiration date of the Disbursement Period and (ii) the date that the Borrower requests JICA to make disbursement, provided that item (ii) shall apply only in the case where such request is made.

Section 3. Disbursement

- (1) When JICA finds the disbursement documents in order and in conformity with the Loan Agreement and the Handbook, JICA shall make disbursement in Japanese Yen into the Loan Account, in principle, within fifteen (15) business days from the date of receipt of the disbursement documents from IDB by paying into the Loan Account. The Borrower shall then transfer the amount disbursed into the Designated Account.
- (2) All amounts withdrawn from the Designated Account shall be used solely for payments made or to be made in accordance with the purpose and scope of works stipulated in the relevant provisions of the Loan Agreement. The Borrower shall record all transactions independently in accordance with consistently maintained sound accounting principles. The Borrower shall submit relevant documents, including, but not limited to, the documents mentioned hereinafter to justify the expenditures paid out from the Designated Account.

- (3) If the percentage of justification made is less than the level agreed in accordance with the Handbook at the time of making the subsequent request for disbursement, the Borrower shall not be allowed to submit the request for subsequent disbursement until it exceeds such agreed level, unless otherwise agreed between IDB and JICA.

Section 4. Banking Arrangement

- (1) Any action taken or arrangements or agreements entered into by the Agent Bank pursuant to the authority conferred on the Agent Bank shall be fully binding on the Borrower and shall have the same force and effect as if such action was taken or such arrangement or agreement was entered into by the Borrower. The Borrower may revoke or modify the authority conferred on the Agent Bank if consent of JICA is obtained.
- (2) The Borrower shall cause the Agent Bank to make necessary arrangements with the Paying Bank, including, but not limited to, the following:
- (a) to open a Loan Account on behalf of the Borrower with the Paying Bank;
and
 - (b) to confirm necessary arrangements for transaction of funds to the Designated Account after the proceeds of the Loan is credited to the Loan Account.

Section 5. Foreign Exchange Risk

The Borrower shall bear all risks associated with foreign exchange fluctuations arising from disbursement and JICA shall not be liable therefor.

Section 6. Refund

If JICA has determined at any time that any of the following occurs, the Borrower shall promptly upon notice from JICA, deposit into the Designated Account, or if JICA so requests, refund to JICA such non-eligible and/or unjustifiable amount in accordance with the Handbook:

- (1) (Refund Associated with the Auditor's Report) any payment made for expenses not eligible identified by an external auditor's report and review by IDB staff (Section IV.4. in the Handbook);
- (2) (Refund of Non-eligible Expenses Accrued Only to JICA) any payment made for expenses not eligible under the Loan Agreement (Section V.2. in the Handbook), or
- (3) (Unjustified Advance) any payment not justified by supporting documents under the Advance Procedure (Section V.1. in the Handbook).

Section 7. Exemption of JICA's obligation

In the case where each of the following cases occurs at the time of making each disbursement, JICA is not obligated to make any disbursement to the Borrower.

- (1) JICA reasonably determines that fulfillment of the disbursement under the Loan Agreement would be difficult due to any event that is beyond the control of JICA, including, but not limited to, (i) a system malfunction, (ii) the imposition of economic sanctions, or (iii) the occurrence of any force majeure event, such as an act of God, epidemic disease, war, terrorism or change in governmental regulations.
- (2) JICA reasonably determines that any reason or circumstance exists that would make it difficult for any supplier, contractor or consultant to receive a payment under a contract to be financed out of the proceeds of the Loan.