



GOBIERNO NACIONAL

Construyendo el futuro hoy

● PARAGUAY



Republic of Paraguay
Perspectivas Económicas y
Oportunidades de Inversiones

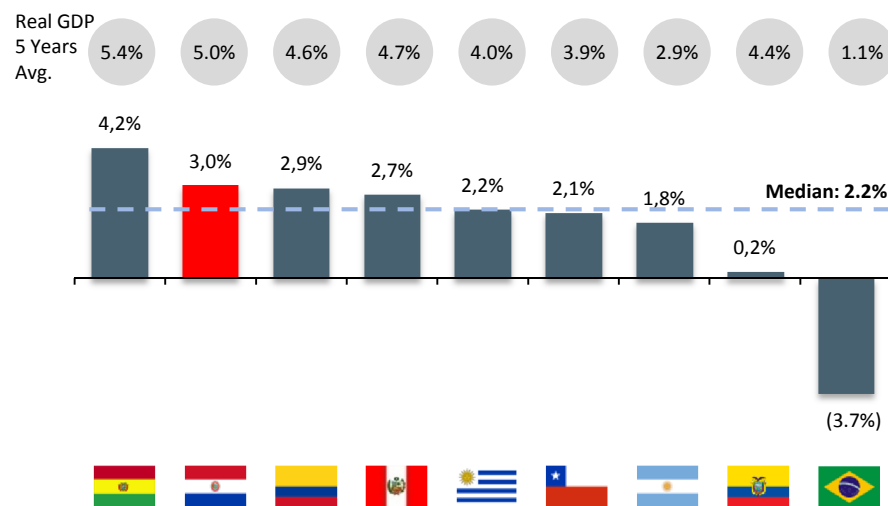
A Bright Spot in the Region

Relevant Global Presence

- #1 Clean electricity net exporter
- #4 Soy exporter
- #3 Largest barge fleet
- #5 Beef exporter
- #3 Soy crushing capacity in LatAm
- #10 Wheat exporter

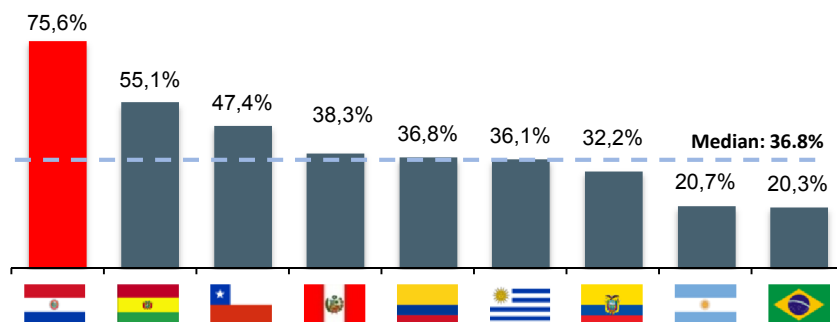
Solid Track Record...

Real GDP Growth (2015E; %)⁽¹⁾



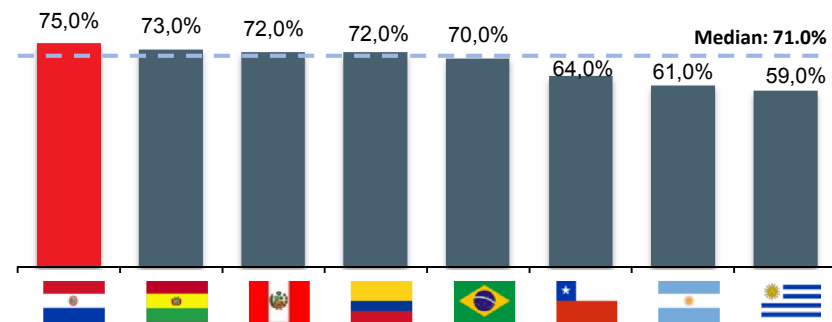
...Supported By The Highest Degree of Openness In The Region...

Economic Openness (2015E; %)⁽²⁾



...And a Large Demographic Potential

Population aged 0-39 years (% of total population)

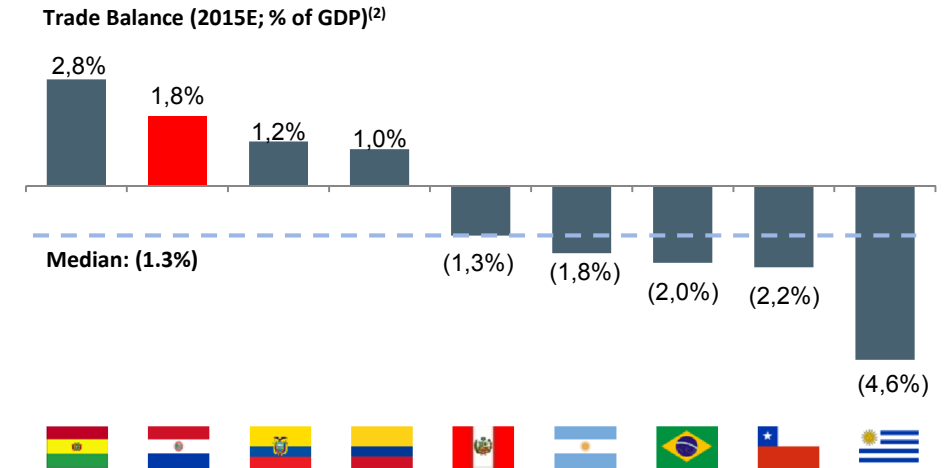


Source: Ministry of Finance of Paraguay, Central Bank of Paraguay and United States Department of Agriculture
 (1) As of December 31st, 2015, preliminary data for Paraguay. EIU estimates as of February 2016 for other countries
 (2) Measured as (Exports + Imports) / GDP. EIU estimates as of February 2016 for countries other than Paraguay

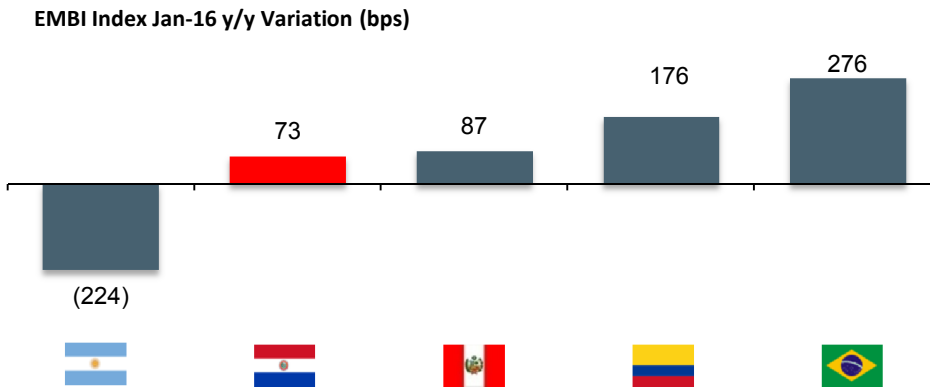
Despite Decreasing Soybean Export Price...



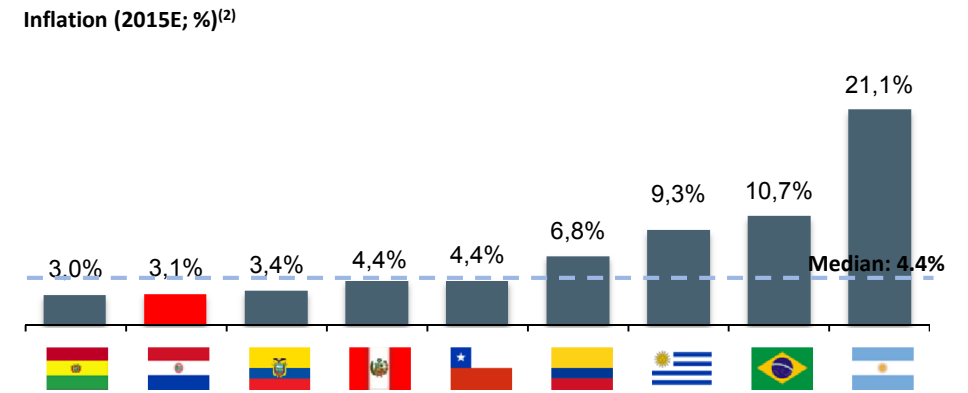
...Paraguay Maintains a Positive Trade Balance...



...And Increasing Country Risk Levels...



...And Stable Monetary Policy



Source: Ministry of Finance of Paraguay, Central Bank of Paraguay and EIU

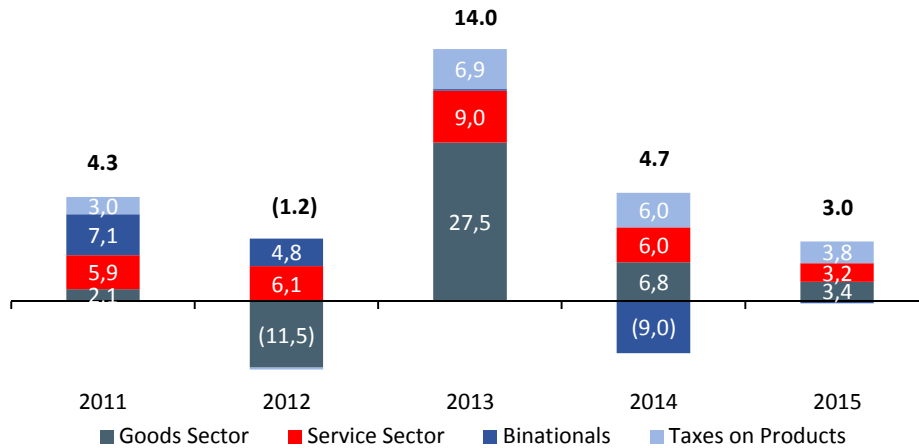
(1) As reported by the BCP

(2) EIU estimates as of February 2016 for countries other than Paraguay

1 ...Proved Through Sustained Growth...

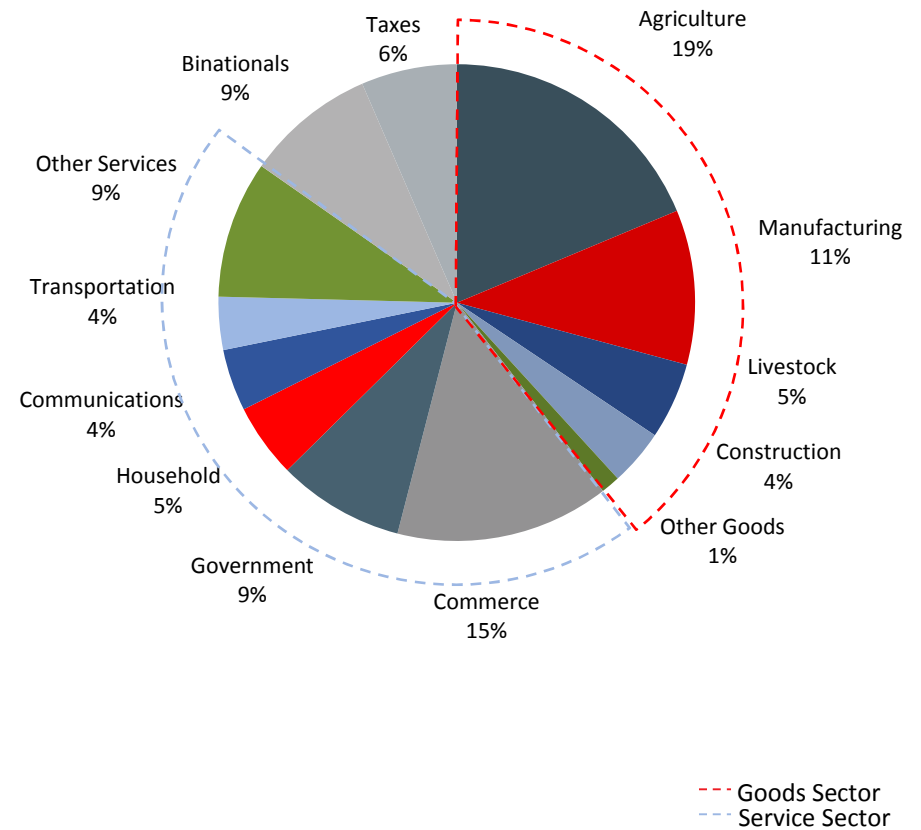
Significant Track Record of Economic Expansion...

Real GDP growth breakdown by segment contribution



...Supported by a Diversified Economy...

Real GDP Breakdown by Segment (%)



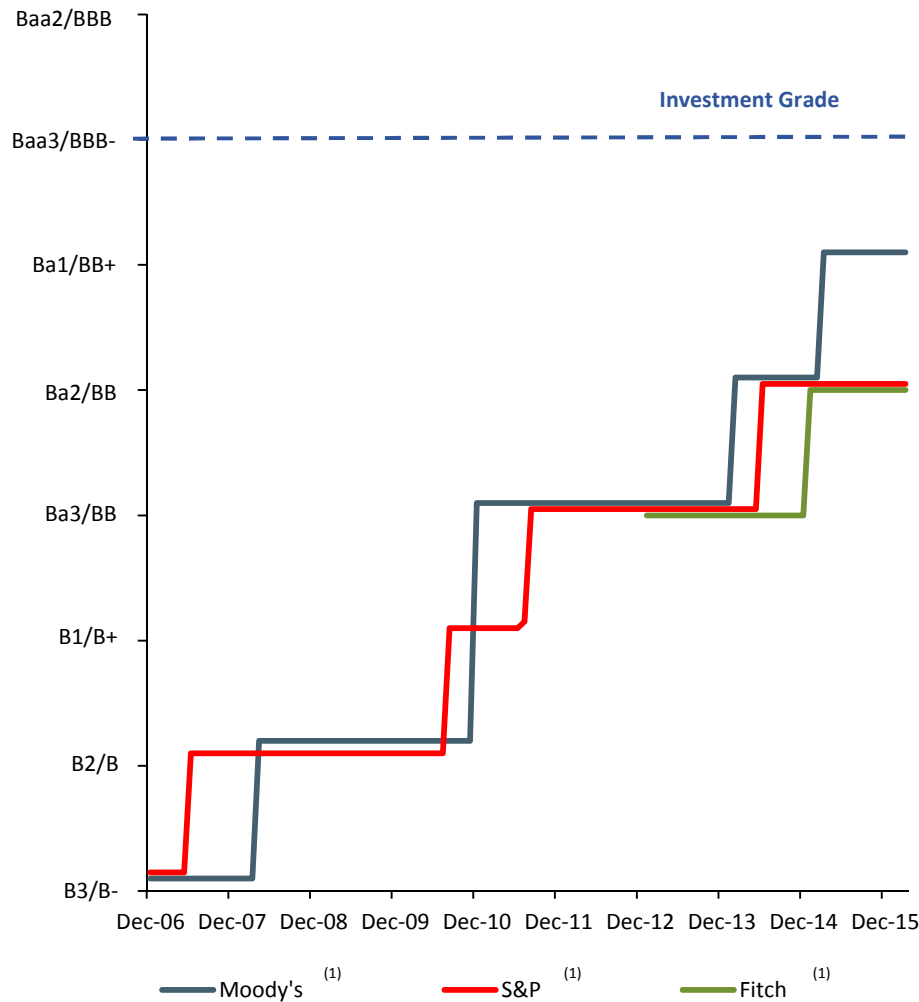
... And Attractive Competitive Advantages

Item	Paraguay	Brazil	Argentina	Chile
Energy Cost (US\$/MWh)	55	117	53	116
VAT Tax	10%	25%	21%	19%
Income Tax	10%	28%	35%	24%
Avg. Monthly Salary (US\$)	409	743	780	1,001
Population aged 20-34	26%	25%	23%	23%

Source: Ministry of Finance of Paraguay, Central Bank of Paraguay, and World Bank

Outstanding Economic Performance has Resulted in Positive International Perception...

Solid Upward Trend in Credit Ratings



Favorable Credit Rating Agency Perceptions

- Paraguay is one of the few Latin American countries with an overall optimistic outlook for 2016, based on:
 - ✓ Demonstrated resilience to adverse economic regional trends
 - ✓ Prudent fiscal policy and increased efforts to improve institutional effectiveness
 - ✓ Gradual economic diversification
 - ✓ Increased exchange rate flexibility and stronger monetary policy credibility

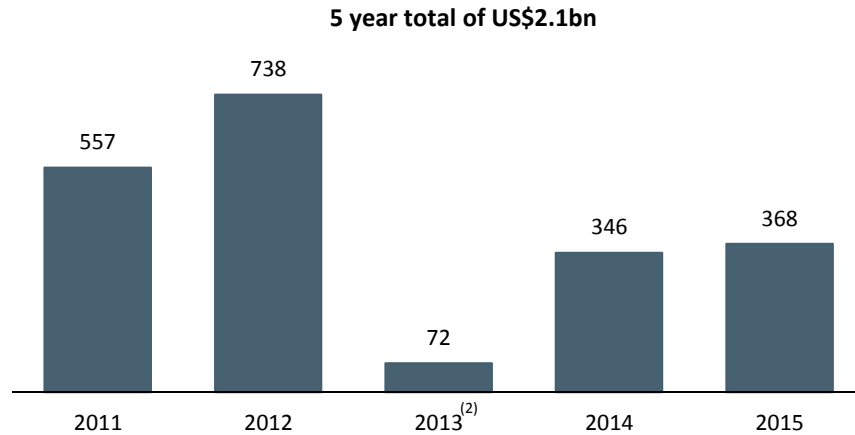
Source: Ministry of Finance of Paraguay, Central Bank of Paraguay, Fitch Ratings, Moody's and Standard & Poor's

(1) Based on LT Foreign Currency Debt; A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time

2 ...And Favorable Foreign Investment

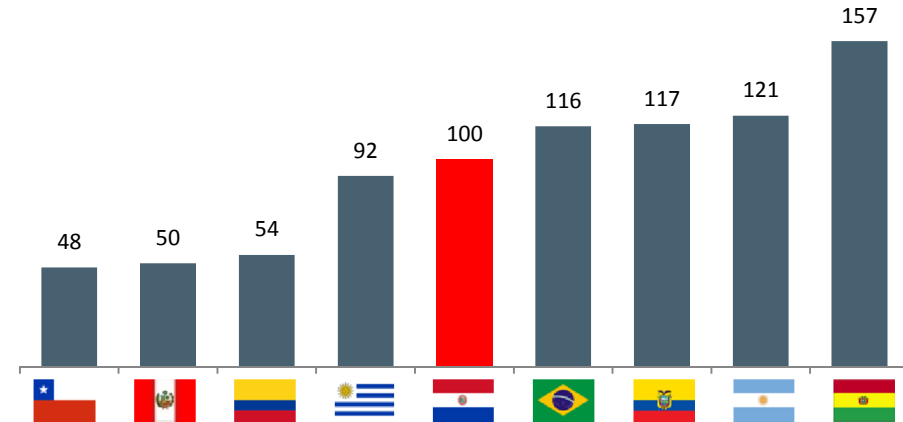
Track Record of Foreign Direct Investment Flows...

Annual FDI Flows (US\$mm)



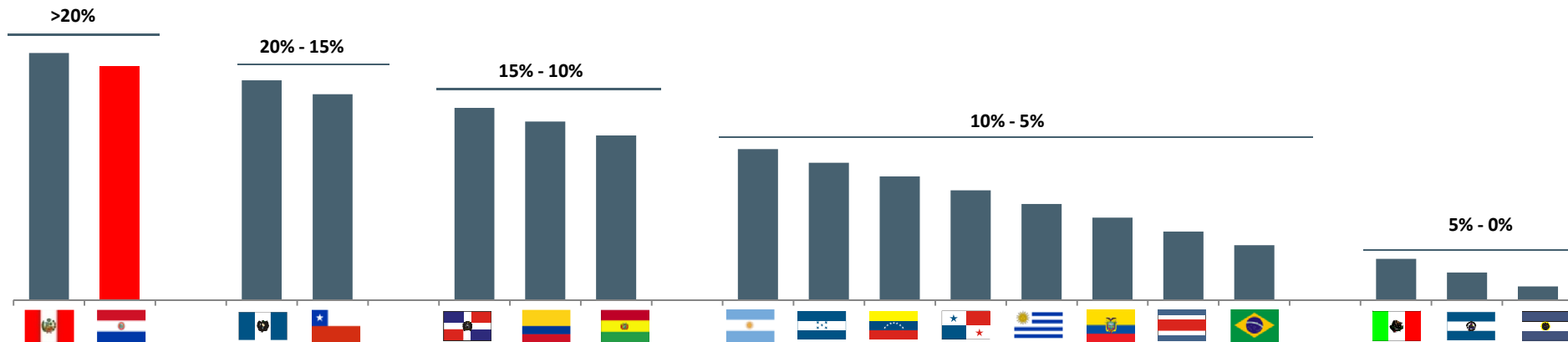
...Supported by Positive Business Environment Indicators...

Ease of Doing Business Indicators⁽¹⁾



...And a Historical Track Record of one of the Highest FDI Yields In the Region

FDI return ranking⁽¹⁾ and Yield (%)



Source: Ministry of Finance of Paraguay, Central Bank of Paraguay, Doing Business Organization

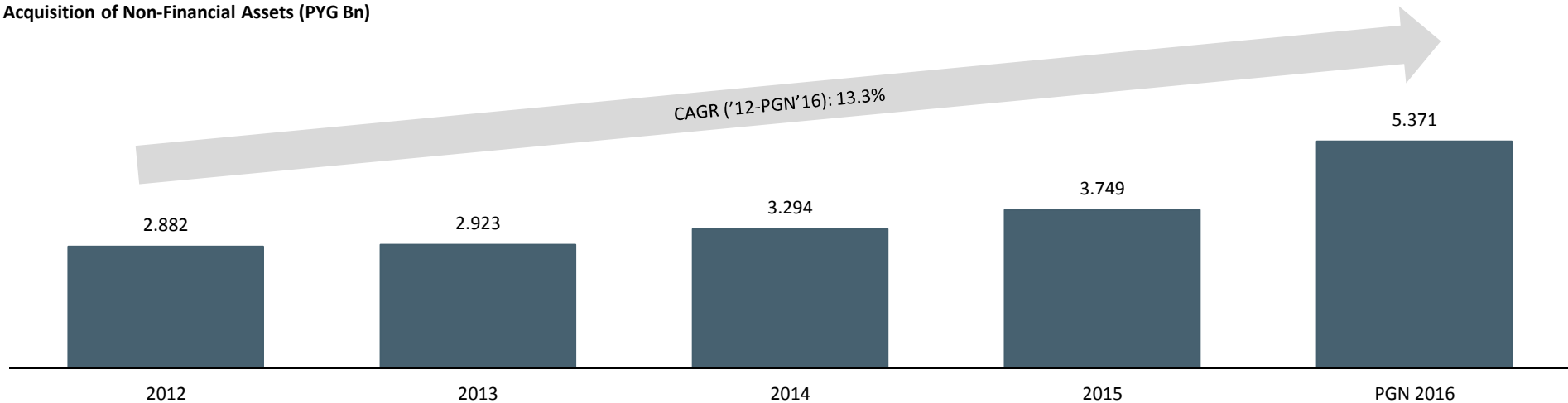
(1) 2007-2011 average elaborated by CEPAL based on FDI Income as a proportion of FDI stock

(2) As of June 2015

Strongly Committed to Infrastructure Improvements...

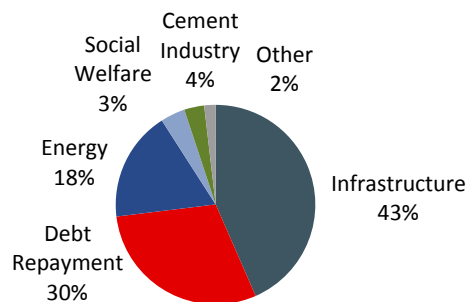
Successful Implementation of Public Investments...

Net Acquisition of Non-Financial Assets (PYG Bn)



... Partially Funded through International Offerings ...

Use of Funds by Purpose(%)



Total Net Proceeds: US\$1.7bn

- 94% of total net proceeds from international bond issuances have been deployed, to improve Paraguay's infrastructure and energy sectors

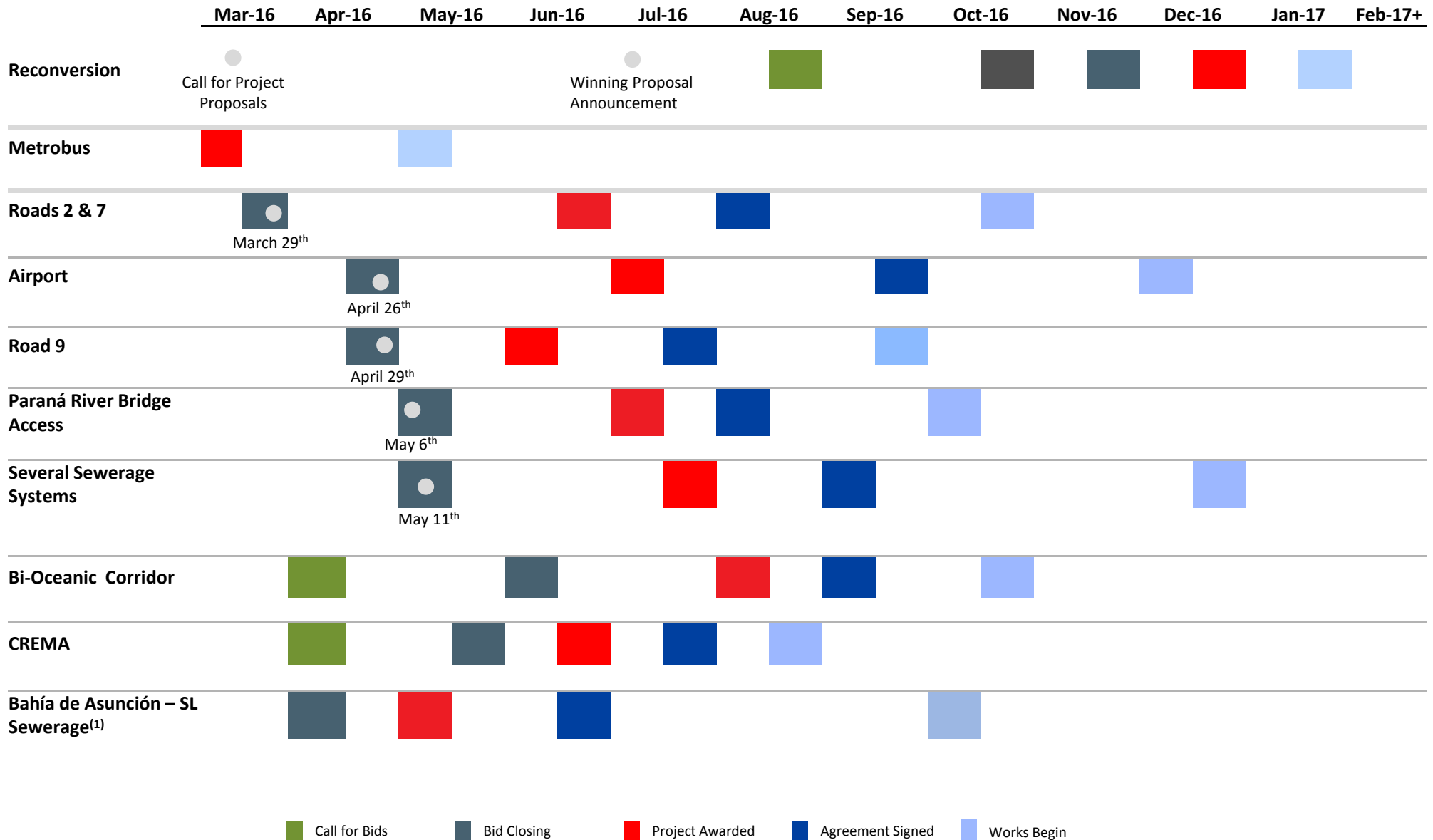
...Under a Clear Regulatory Framework

PPP Law

- Public-private investment program requires a concession contract per project with specific terms and conditions
- Each project will require a special purpose vehicle and shareholders will have to comply with equity contributions and structuring of financing, among other

5.074/13 Law

- Establishes the conditions and responsibilities that constructors assumes of each project (minimizes the government involvement and liability)
- The Government offers as guarantees National Treasury bonds or sovereign guarantee over the financing (only available if the works are completed)



Source: Central Bank of Paraguay and Ministry of Infrastructure

(1) Subject to Congress approval for a IDB loan

Reconversion

- ✓ **Objective:** Improve urban infrastructure
- ✓ **Stage:** Proposal pitch to start in Mar-16
- ✓ **Size:** US\$300mm
- ✓ **Reg. Framework:** IDB / Private investment

Several Sewerage Works

- ✓ **Objective:** Construction of sewerage and water treatment network
- ✓ **Stage:** Ongoing bidding process
- ✓ **Size:** US\$425mm
- ✓ **Reg. Framework:** Law 5074/13

Metrobus

- ✓ **Objective:** Build a bus transport system
- ✓ **Stage:** Concession awarded
- ✓ **Size:** US\$80mm
- ✓ **Reg. Framework:** IDB

CREMA

- ✓ **Objective:** Assign maintenance contracts for paved roads
- ✓ **Stage:** Design (Bid to start in Apr-16)
- ✓ **Size:** US\$135mm
- ✓ **Reg. Framework:** Law 1533

Bi-Oceanic Corridor

- ✓ **Objective:** Construct an integrating corridor providing access to Atlantic and Pacific Ocean
- ✓ **Stage:** Bid to start in Apr-16
- ✓ **Size:** US\$310mm
- ✓ **Reg. Framework:** Law 5074

Roads 2 & 7

- ✓ **Objective:** Road capacity expansion and reconstruction
- ✓ **Stage:** Bidding closing
- ✓ **Size:** US\$430mm
- ✓ **Reg. Framework:** Law 1502 - APP

Airport

- ✓ **Objective:** Expand airport passenger and platform capacity
- ✓ **Stage:** Bidding closing
- ✓ **Size:** US\$150mm
- ✓ **Reg. Framework:** Law 1502 - APP

Road 9

- ✓ **Objective:** Road repavement and reconstruction
- ✓ **Stage:** Bidding closing
- ✓ **Size:** US\$440mm
- ✓ **Reg. Framework:** Law 5074/13

Paraná River Bridge Access

- ✓ **Objective:** Road access to bridge and frontier control facilities
- ✓ **Stage:** Ongoing bidding process
- ✓ **Size:** US\$220mm
- ✓ **Reg. Framework:** Law 5074/13



Ready for execution

Planification stage

Bahía Asunción – San Lorenzo Sewerage

- ✓ **Objective:** Construction of sewerage and water treatment network
- ✓ **Stage:** Bidding closing
- ✓ **Size:** US\$110mm
- ✓ **Reg. Framework:** IDB

Costanera Sur

- ✓ **Objective:** Avenue construction
- ✓ **Stage:** Profiling
- ✓ **Size:** US\$320mm
- ✓ **Reg. Framework:** Law 1533

Cruce Centinela

- ✓ **Objective:** repave of 354km of road/highway
- ✓ **Stage:** To start in 2017
- ✓ **Size:** US\$360 mm
- ✓ **Reg. Framework:** Law 5.074

Hydroway

- ✓ **Objective:** Construct a hydroway between Asunción and Apa river
- ✓ **Stage:** Master Plan development
- ✓ **Size:** TBC based on MP outcome
- ✓ **Reg. Framework:** TBC based on MP outcome

Railway Network

- ✓ **Objective:** Build a train trail of 44km
- ✓ **Stage:** To start in 2017
- ✓ **Size:** US\$470 mm
- ✓ **Reg. Framework:** International bonds

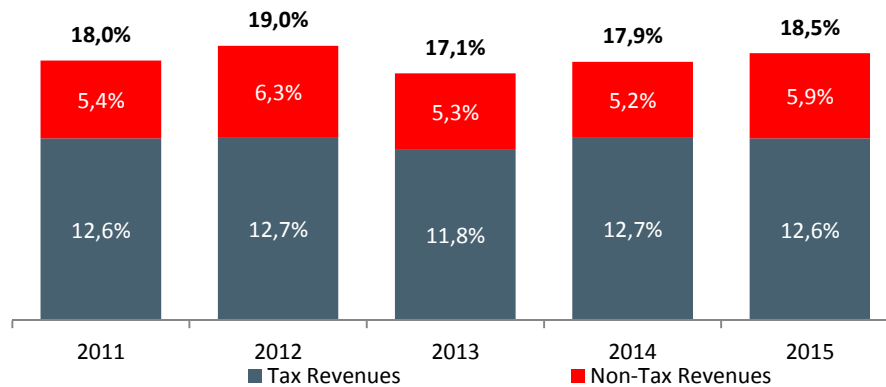
Road 6

- ✓ **Objective:** Road construction
- ✓ **Stage:** Feasibility studies
- ✓ **Size:** US\$36mm
- ✓ **Reg. Framework:** Law 5074/13

Prudent Fiscal Balance and Sound Institutional Framework

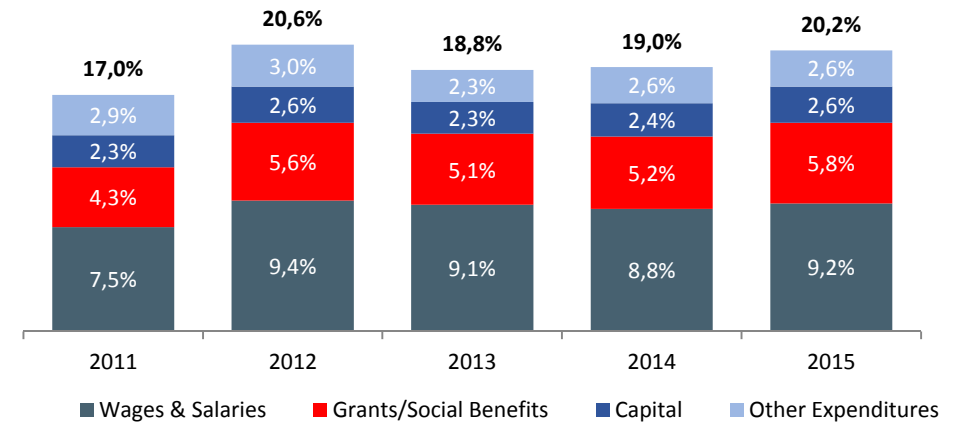
Effective Tax Revenue Increasing Policies...

Revenues Breakdown (% of GDP)



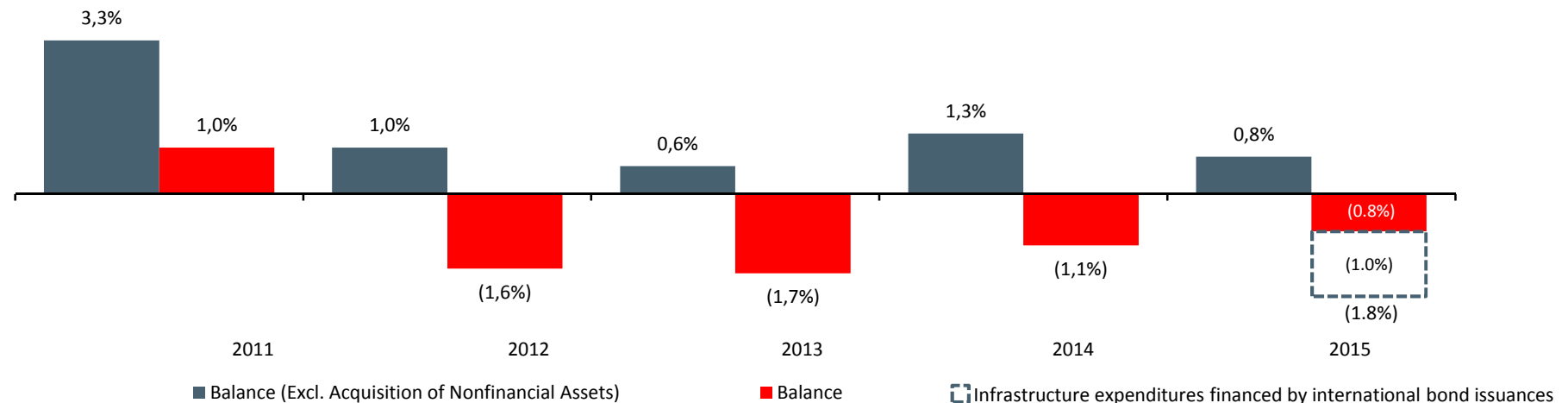
...Higher Capital Expenditure Levels...

Expenditures Breakdown (% of GDP)



...Have Resulted in a Flexible Central Government Balance in Compliance With Regulatory Limits⁽¹⁾

% of GDP

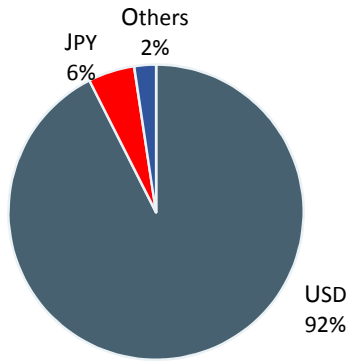


Source: Central Bank of Paraguay and Ministry of Finance

(1) As of 2015, overall balance's limit was set at (1.5%) of GDP, excluding infrastructure expenditures by international bond issuances

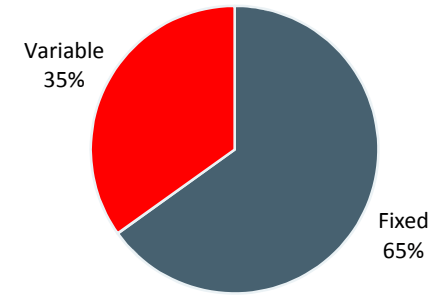
Conservative External Debt Composition...

Public sector external debt by currency



- External debt currency aligned with USD exports

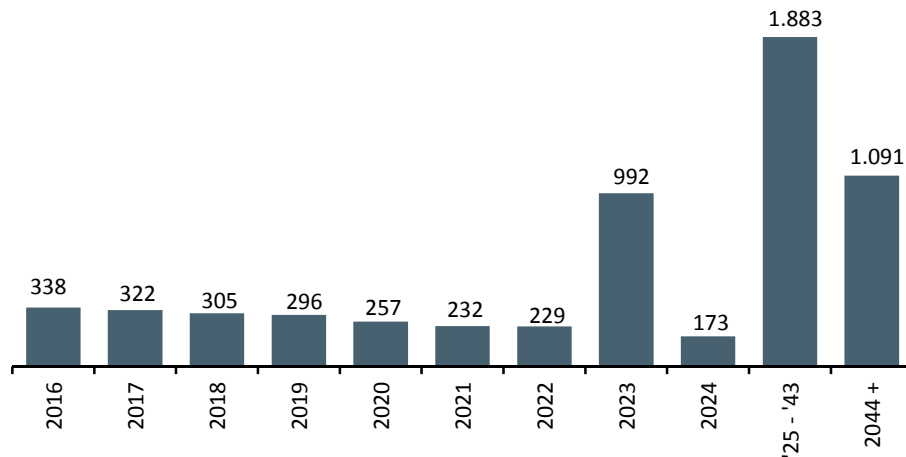
Public sector external debt by interest rate type



- Large percentage of debt with fixed interest rates

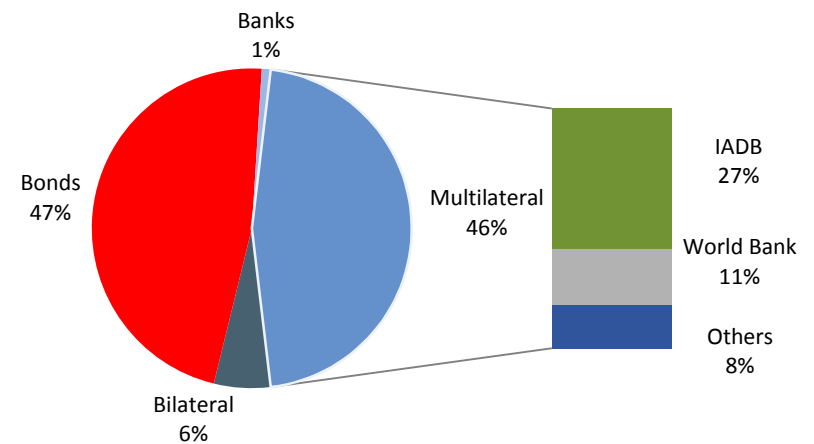
... Comfortable Public External Debt Maturity Profile...

Maturing Debt by Year (US\$mm)



...And Diversified Funding Sources

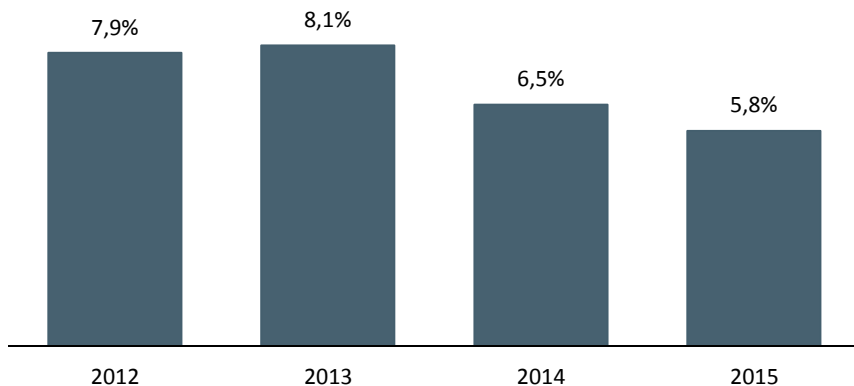
Public sector external debt by creditor (as of Dec-15)



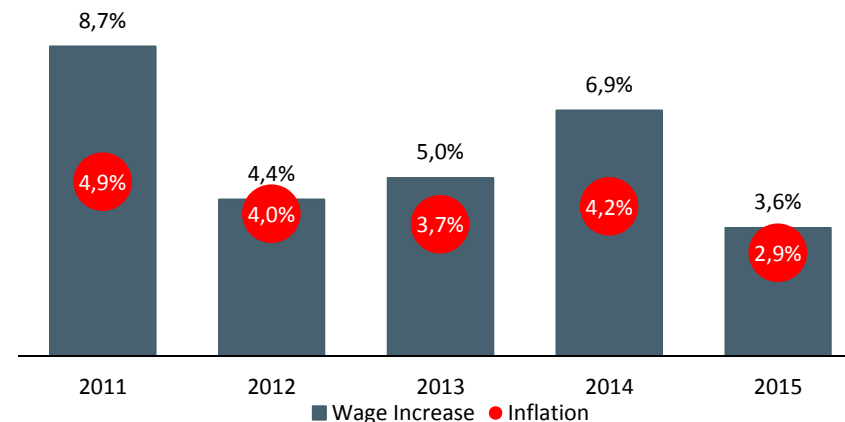
Source: Central Bank of Paraguay and Ministry of Finance

Improving Social Indicators Backed by Active Social Policies

Controlled Unemployment*...

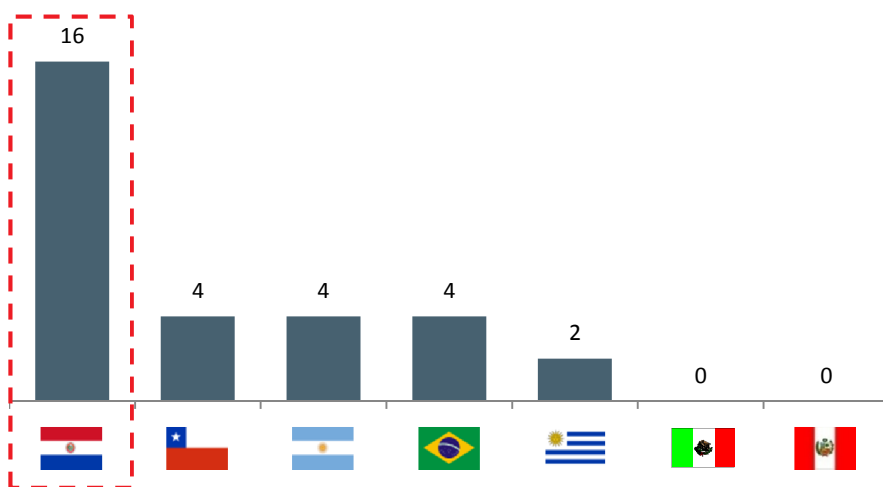


... With Wage Increases Above Inflation Levels...

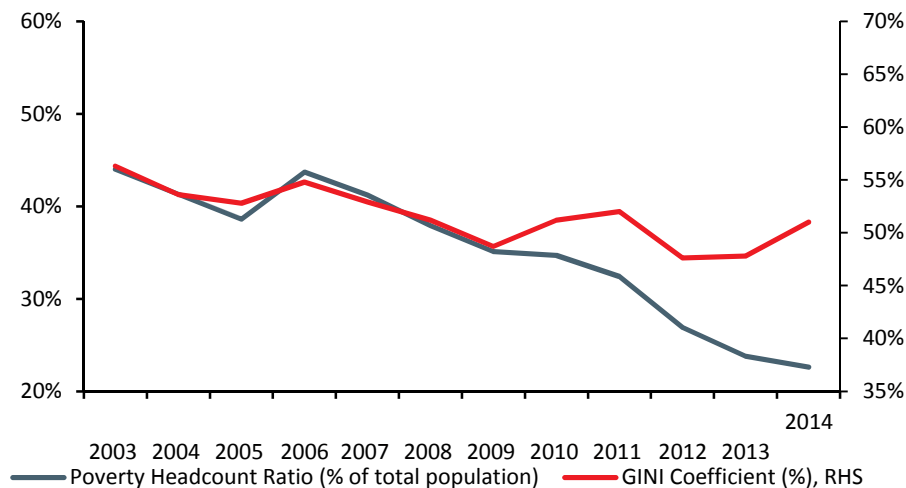


... And Highest Improvement in the Social Progress Index in the Region...

Social Progress Imperative Ranking Improvement (2014 – 2015)



...Resulting in Improving Poverty and Inequality indices



Source: Central Bank of Paraguay and Ministry of Finance

Evidenced Commitment To Transparency...

- By strengthening the rule of law and decreasing corruption levels, Paraguay aims to improve its business environment conditions

Freedom of
Information Law

Anti-Money
Laundering Policies

Regulated Licensing and
Registration Requirements

...Leading to a Positive International Reputation

- Paraguay adheres to Article IV of IMF Standards for Data Dissemination
- IMF's press release regarding its 2016 mission to Paraguay in Feb-16 stated:

*"The authorities are moving forward with **welcome reforms to enhance financial supervision** (...) With the introduction and implementation of the Law of Free Access to Public Information, the **authorities have begun to establish much greater transparency in public processes to increase public accountability and strengthen governance**. This is an important step to **improve the quality of institutions in Paraguay on a lasting basis.**"*

