



Republic of Paraguay

Investor Presentation

June 2023

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Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the SECURITIES or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the SECURITIES or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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Oscar Llamosas Diaz
Minister of Finance



José Cantero
President of the Central Bank



Roberto Mernes Rabl
Vice minister of Economy

Education

- | | | |
|---|--|---|
| <ul style="list-style-type: none">• B.S. Economics, National University of Asuncion• Masters in Economic Policy, National University of Tucuman, Argentina | <ul style="list-style-type: none">• B.S. Economics and Political Science, University of Kansas• Masters in Economic Policy, University of Illinois• Masters in International Finance, University of Illinois | <ul style="list-style-type: none">• B.S. Economics, National University of Asuncion• Specialist in Applied Macroeconomics, Pontifical Catholic University of Chile |
|---|--|---|

Recent Professional Experience

- | | | |
|---|--|--|
| <ul style="list-style-type: none">• More than 25 years of career in Civil Service• 2020 - Present: Minister of Finance of Paraguay• 2017 - 2020: Vice Minister of Financial Administration of the Ministry of Finance of Paraguay• Managing Director of Public Treasury in the Ministry of Finance• Head of Macro-Fiscal Department | <ul style="list-style-type: none">• 2018 - Present: President, Central Bank of Paraguay• 2017- 2018: Member of the Board of Directors, Central Bank of Paraguay• 2014 - 2017: CEO, Interfisa Bank• 2008 - 2014: Editor in Chief, “Foco: Economía y Negocios” Magazine | <ul style="list-style-type: none">• More than 26 years of career in Civil Service• February 2023 - Present: Vice minister of Economy• 2018 - January 2023: Director of Integration• 2009 - 2018: Head of the Commercial Strategies and Integration Department• 2001 - 2009: Head of the Financial Programming Department of the Directorate of Economic Studies• 1996 - 2001: Macroeconomic Analyst at the Economic Studies Directorate |
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*Paraguay
de la gente*

1

Transaction Summary



Summary of the Offering

Issuer:	Republic of Paraguay ("Paraguay")
Expected Ratings:	Ba1 (positive) by Moody's / BB (stable) by S&P / BB+ (stable) by Fitch
Ranking:	Senior Unsecured
Currency:	USD
Format:	144A / RegS
Securities:	New Notes due 2033
Transaction Size:	Benchmark
Maturity:	August 21, 2033
Amortization:	40% of the total amount paid in 2032 and 60% in 2033
Average Life:	9.7 years
Optional Redemption:	Make-Whole Call 3-month Par-Call
Use of Proceeds:	General government purposes and liability management of 5.000% 2026 Notes
Int. Payments Dates:	Fixed, paid semi-annually on February 21 and August 21, with interest accruing from July 12, 2023
First Interest Payment Date:	February 21, 2024 (long first coupon)
Denominations:	USD 200,000 x USD 1,000
Listing:	Luxembourg Stock Exchange / Euro MTF
Governing Law:	State of New York
Settlement:	T+9 (Wednesday, July 12, 2023)
Bookrunners:	 (B&D) 

Tender Offer Target Bonds & Timeline

Tender Offer Target Bonds

Series	Maturity	Coupon (%)	Outstanding Principal Amount (USD)	Repurchase Price
USD Global Notes	04/15/2026	5.000	527,125,000	996.25

5-Day Tender Offer Timeline

Timeline	Date	Event
T=0	Wednesday, June 28 (At or around 8:00am EST)	Tender Offer Announcement
T+5	Wednesday, July 5 (5:00pm EST)	Tender Offer Expiration
T+6	Thursday, July 6 (At or around 9:00am EST)	Announcement of Maximum Purchase Amount
T+9	Wednesday, July 12	Tender Offer Settlement



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2

Key Credit Highlights





Key Investment Highlights



1

Paraguay: One of Latin America's Most Resilient Economies

2

Positive Growth Outlook Driven by the Recovery of the Agro-industrial and Energy Sectors, and Increased Public & Private Spending

3

Institutional Reforms to Boost the Economy & Fiscal Consolidation

4

Debt Management Strategy in Line with International Best Practices Supportive to Economic Growth

5

Strong Commitment to Sustainable Practices

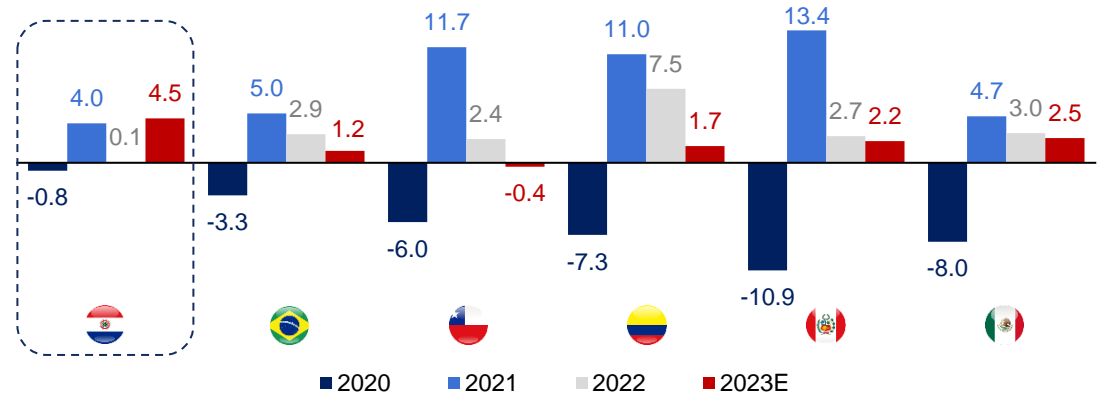
6

Effective Counter Cyclical Policies Demonstrated by Economic Stabilization & Recovery

Paraguay: One of Latin America's Most Resilient Economies

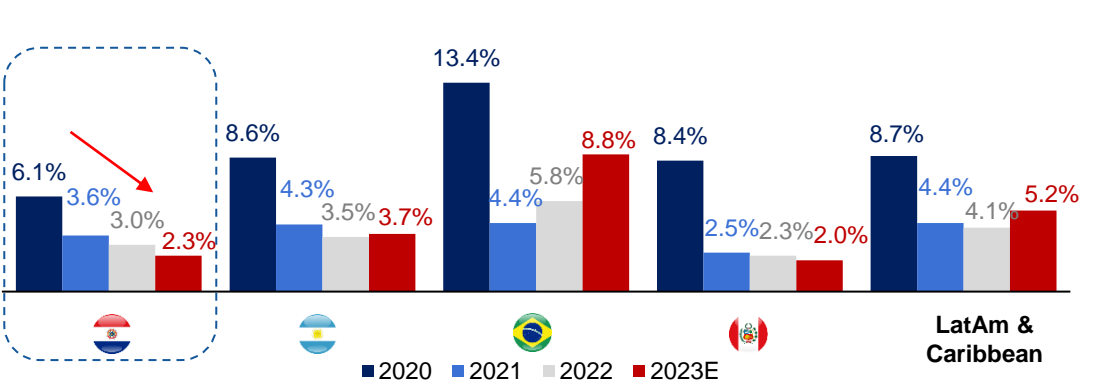
Paraguay showed greater resilience to multiple exogenous shocks compared to regional peers. After the severe drought from the end of 2021 until mid 2022, growth is expected for 2023

GDP Growth (% YoY)



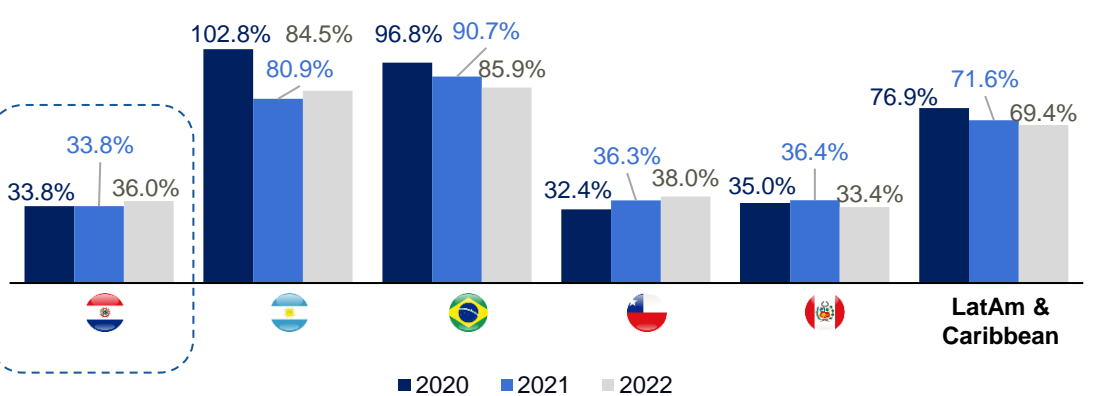
...maintaining one of the lowest fiscal balances within the countries of the region...

Fiscal Deficit (% of GDP)



...with one of the lowest debt levels of the region...

Government Debt (% of GDP)



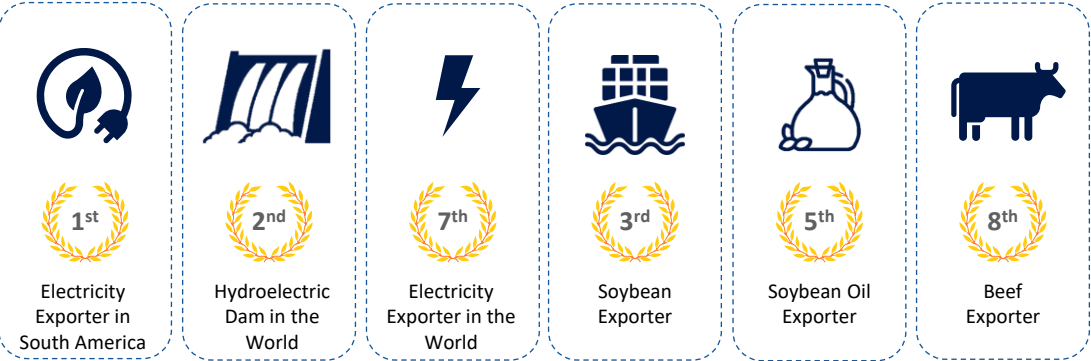
...and backed by a positive outlook for the main macroeconomic variables

	2022	2023E
Inflation	8.1%	4.5%
Fiscal Deficit	3.0%	2.3%
GDP	0.1%	4.5%

Sources: WEO (April 2023), Ministry of Finance, Central Bank of Paraguay

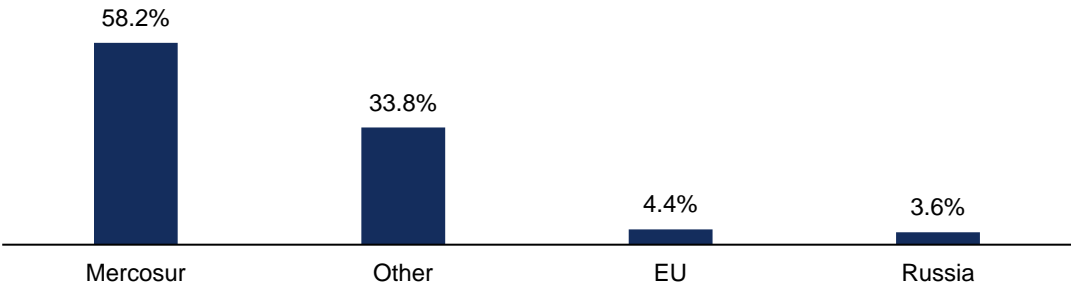
Expected Recovery in 2023 amid Growth in the Agro-industrial and Energy Sectors

Paraguay's global leadership in strategic sectors...



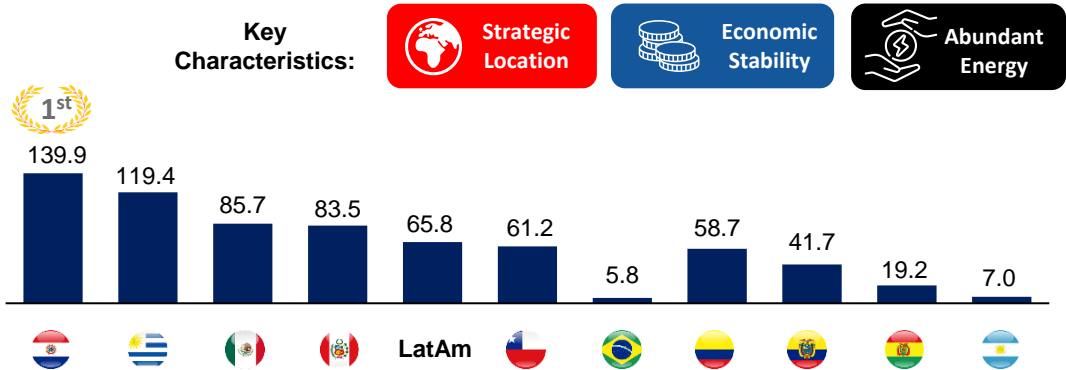
...and diversified exports...

Registered Exports by Geographical Destination, (2022, % of total)



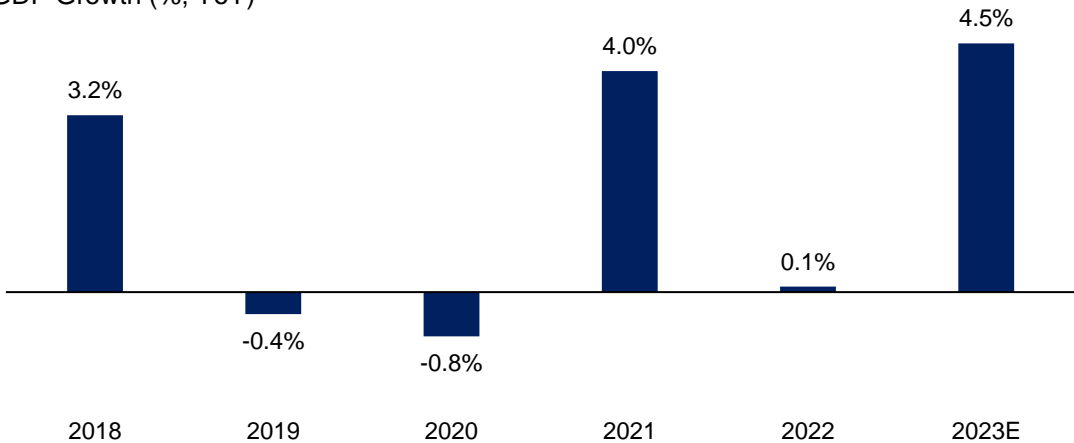
...supported by the country's strong business climate...

Economic Climate Indicator of Countries (points, Q2 2023)



...is expected to lead to economic growth in the upcoming years






GDP Growth (% YoY)



Sources: Ministry of Finance, Central Bank of Paraguay, Getulio Vargas Foundation (FGV - IBRE)

Paraguay's Credit Strength is Reflected in the Improvement in its Credit Outlook

Despite the pandemic and Russia-Ukraine impacts, the country managed not only to maintain a stable rating but also attain a positive outlook by Moody's

January 2021				June 2023			
	MOODY'S	S&P Global Ratings	FitchRatings		MOODY'S	S&P Global Ratings	FitchRatings
	Ba1 (Stable)	BB (Stable)	BB+ (Stable)		Ba1 (Positive)	BB (Stable)	BB+ (Stable)
	Ba2 (Stable)	BB- (Stable)	BB- (Stable)		Ba2 (Stable)	BB- (Positive)	BB- (Stable)
	A1 (Stable)	A+ (Negative)	A (Stable)		A2 (Stable)	A (Stable)	A- (Stable)
	Baa2 (Stable)	BBB- (Negative)	BBB (Negative)		Baa2 (Stable)	BB+ (Stable)	BB+ (Stable)
	Baa2 (Stable)	BBB+ (Negative)	BBB (Negative)		Baa2 (Stable)	BBB (Stable)	BBB- (Stable)
	A3 (Stable)	BBB+ (Negative)	BBB+ (Stable)		Baa1 (Negative)	BBB (Negative)	BBB (Negative)
	Baa2 (Stable)	BBB (Stable)	BBB- (Negative)		Baa2 (Positive)	BBB+ (Stable)	BBB (Stable)

Sources: Moody's, S&P and Fitch

In addition, we Promote Investments in Strategic Projects with Various Sources of Financing...

...with key public investments to foster economic growth...



... as well as public-private partnerships and concessions projects...



Sources: Ministry of Finance

...Fostering Competition in the Country and Incentivizing Private Investments

...and key private milestone projects, incentivizing competition and efficiency in the industrial sector and enhancing diversification and economic growth



Pulp & Paper



Advanced Biofuels



Green Hydrogen



Aluminum Packaging

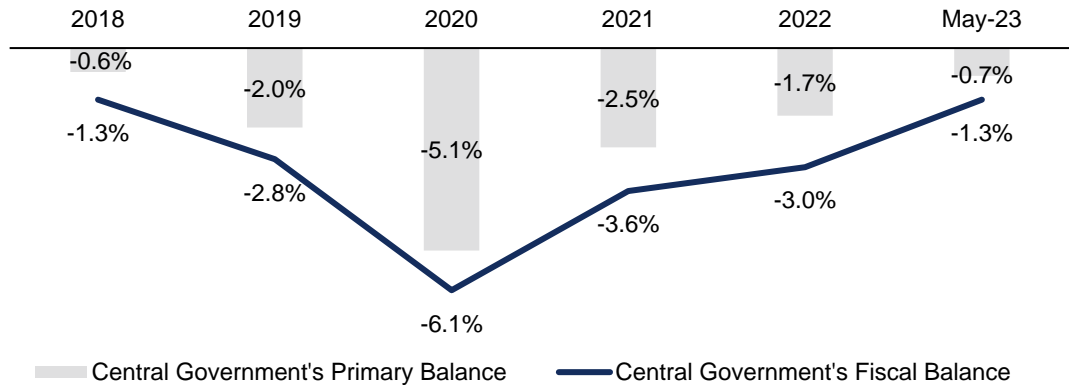


Sources: Ministry of Finance

Institutional Reforms to Boost the Economy & Fiscal Consolidation

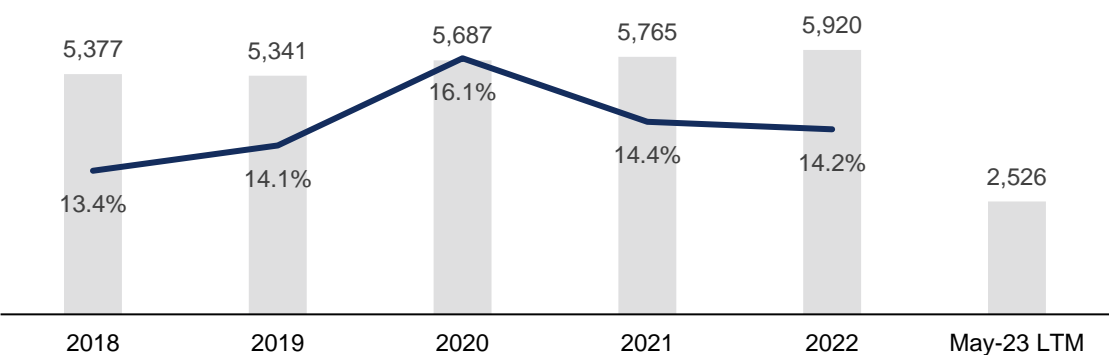
Paraguay’s effective fiscal consolidation efforts have resulted in a lower deficit...

Government’s Primary & Fiscal Balance (% of GDP)



...and limiting public expenditures

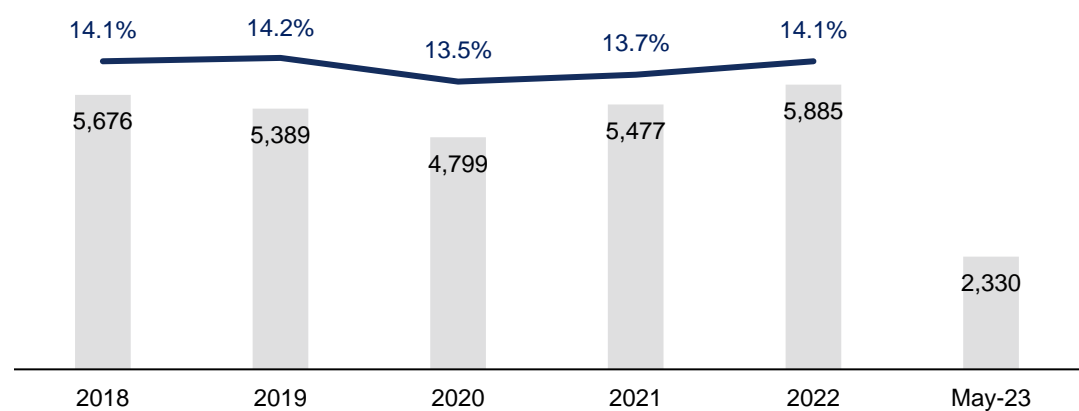
Central Government’s Expenditures (USD million, % of GDP)



Sources: Ministry of Finance, Central Bank of Paraguay

...driven by strong revenues from trade taxes and VAT...

Central Government’s Revenues (USD million, % of GDP)



To support the institutional and governance strength of Paraguay, a package of laws was approved, including:

Boosting Investments

- Law No. 7021/2022 on Public Procurement and Contracts

Boosting the Formalization of the Economy

- Law No. 6480/2020 Creating simplified share companies (“EASs”)

Institutionality and Fiscal Governance

- Law No. 6380/2019 Tax Reform
- Law No. 6638/2020 Liability Management

...Supported by Key Structural Reforms

Policy Coordination Instrument (“PCI”) signed with the International Monetary Fund (“IMF”)



- Paraguay is seeking to reestablish its trajectory towards fiscal consolidation and economic recovery through a plan of structural reforms. To achieve this, the nation has **requested support and oversight from the International Monetary Fund (IMF) through the Policy Coordination Instrument (PCI)**
- The next step consists of the presentation of the Bill for the **creation of a National Commission for the Study of the Reform of the Public Sector Retirement and Pension System**, whose function will be to elaborate and propose measures for the comprehensive reform of the Fiscal Fund that guarantee its financial sustainability in the short, medium and long term as well as and the **Formalization Bill** to grant access to social security for critical labor segments of workers dependent on MSMEs and independent workers in general, through formalization tools appropriate to their nature

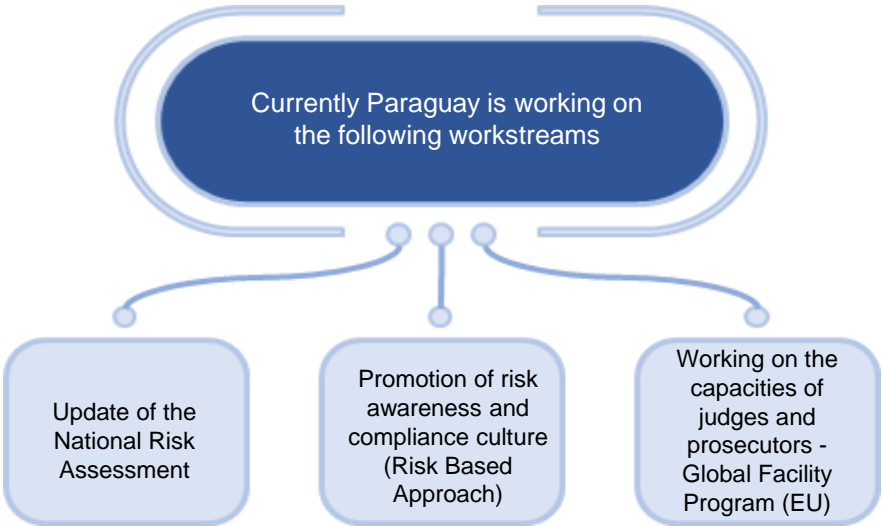
Defined measures to strengthen the fiscal policy	Objectives	Target Date	Status
✓ Reforms to the civil service	Civil Service Bill	Dec-2022	Presented
✓ Economic climate	Draft Law on Secured Transactions	Dec-2022	Presented
✓ Rationalize public expenditures	Regulation of the New Law on Supply and Government Procurement	Jun-2023	In Progress
✓ Reform the fiscal management	Submit to Congress a law that creates the National Commission for the Study and Reform of the Fiscal Fund	Jul-2023	In Progress
✓ Formalize workers in small and medium-sized enterprises (SMEs) and self-employed professionals	Submit to Congress a Bill for the formalization of MSME and independent workers	Jul-2023	In Progress
✓ Enhance the efficiency of government operations	Submit to Congress a new version of the law that modifies and orders the institutions of the State	Jul-2023	In Progress
✓ Strengthen financial supervision	Submit to Congress a new version of the Law for the supervision of Pension Funds	Dec-2023	In Progress

Sources: Ministry of Finance, Central Bank of Paraguay

Grupo de Acción Financiera de Latinoamérica (“GAFILAT”)



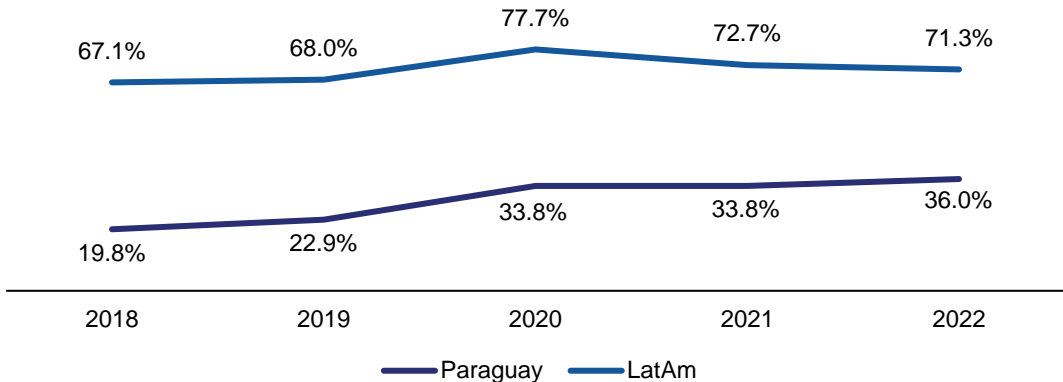
- In December 2019, following GAFILAT recommendations, Paraguay enacted a number of laws aimed at reinforcing money laundering and crime prevention rules, which created a special procedure for the seizure of assets representing the proceeds of crime
- In an evaluation conducted by GAFILAT and the Financial Action Task Force (FATF) in 2022, **Paraguay achieved 93% implementation of the 40 recommendations of FATF, positioning as one of the most notable countries in the region in terms of technical compliance**
- Paraguay has adequately passed the "system effectiveness examination" and **is considered a cooperating country in the region in the fight against money laundering, terrorist financing, and the proliferation of weapons of mass destruction**



Debt Management Strategy in Line with International Best Practices Supportive to Economic Growth

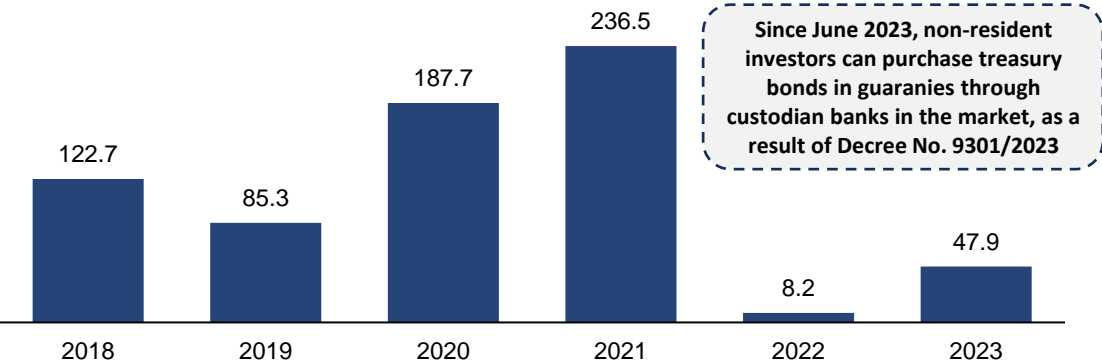
Total debt increased amid COVID-19 pandemic, yet still the lowest in the region...

Government Debt (% of GDP)



...promoting treasury bond issues in the local market...

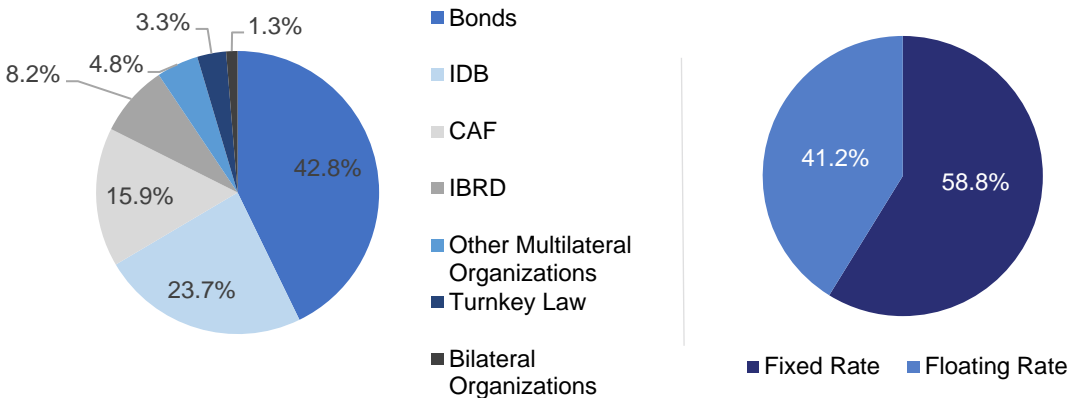
Treasury Bonds (Issued in Guaranies, but presented in USD million, as of April 30)



Sources: Ministry of Finance, Central Bank of Paraguay

...with a diversified debt profile in terms of sources and rates...

Gross Public Sector External Debt by Creditor & Rate Type (As of April 30, 2023)



...and proactive debt management approach

In 2020, the Republic of Paraguay approved a Law for liability management

In January 2022, the Republic completed its second liability transaction of its bonds maturing in 2023 and 2026, reducing the outstanding principal amount of these bonds by approximately USD 300 mm. In the upcoming issuance, the Republic has also decided to add a liability management component, which further proves its commitment of maintaining a healthy debt profile:

- ✓ Extending debt maturity

✓ Reducing nominal debt at an attractive rate
- ✓ Limiting operational risk

✓ Creating simplicity of execution for investors

Likewise, the payment corresponding to the 2023 bond was made in January of this year, fulfilling in a timely manner with the commitments assumed with investors



Strong Commitment to ESG through Environmental Policy Implementation



Roadmap for Climate Change with support of The World Bank

- **Goal:** establish short, medium, and long-term actions related to the incorporation and mainstreaming of climate change initiatives within its fiscal competencies
- **Status:** in process of being edited for subsequent publication
- **World Bank Climate and Development Report for Paraguay:** will provide a diagnosis focusing on the interaction between development and climate change. The goal is to identify risks and opportunities for the country's development, as well as policy recommendations to minimize risks and seize the opportunities that come with transitioning to a low-carbon economy
- **Entities Involved:** Ministry of Finance & World Bank

National Adaptation Plan 2022-2030

- **Goal:** promote the coordinated actions to address the effects of climate change in the country
- This facilitates the integration and adaptation of environmental policies, programs, and projects in relevant sectors and at required levels on a national scale
- In addition, there is a National Climate Change Plan detailing and defining national strategies, plans, and actions in response to climate change
- **Entity Involved:** Ministry of Environment and Sustainable Development ("MADES")

Intersectoral Strategic Plan for Risk Management 2020-2030

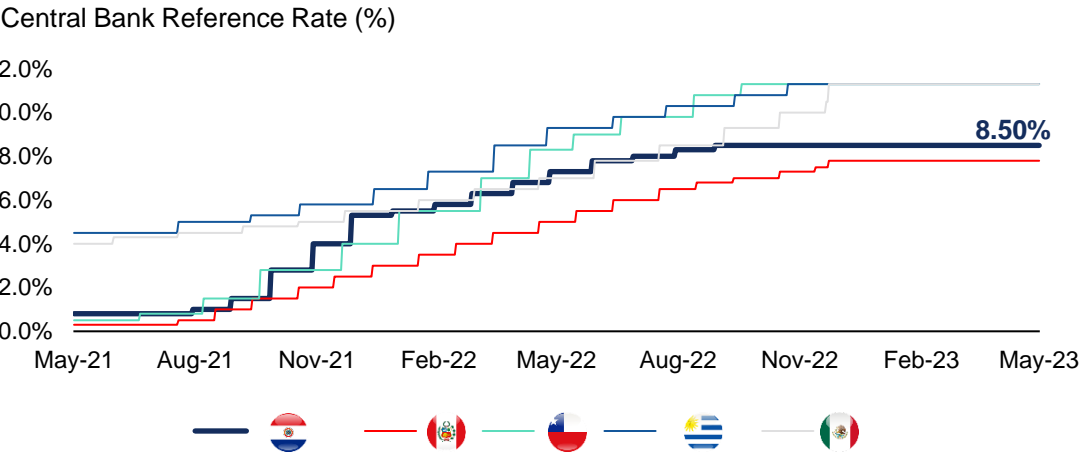
- **Goal:** provide responses to the agricultural sector regarding damage and losses in production related to climatic events and disaster risks, seeking to strengthen mitigation and adaptation mechanisms, and managing strategic mechanisms and actions for the agricultural sector
- Lines of action:
 - Strengthening of institutional capacities for disaster risk management and adaptation to climate change in the agricultural sector
 - Strengthening of the agrometeorological database for the management of disaster risks affecting the sector
 - Development of mechanisms to mitigate damage and losses in the agricultural sector
 - Development of response strategies to adverse events affecting the agricultural sector
- **Entity Involved:** Ministry of Agriculture and Livestock ("MAG")

← Policies and Actions Plan Implemented During 2023 →

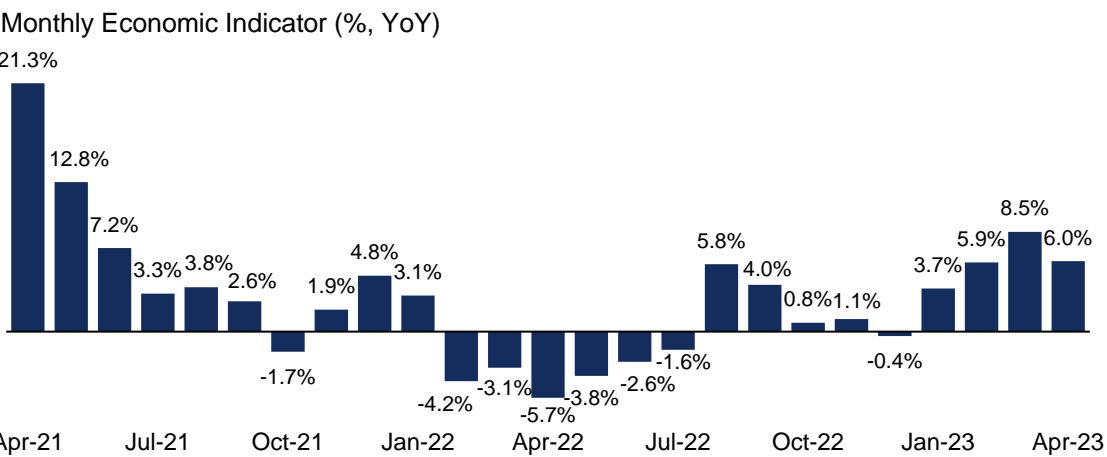
Sources: Ministry of Finance

Effective Counter Cyclical Policies Demonstrated by Economic Stabilization & Recovery

Paraguay's Central Bank action has been key to control inflation...

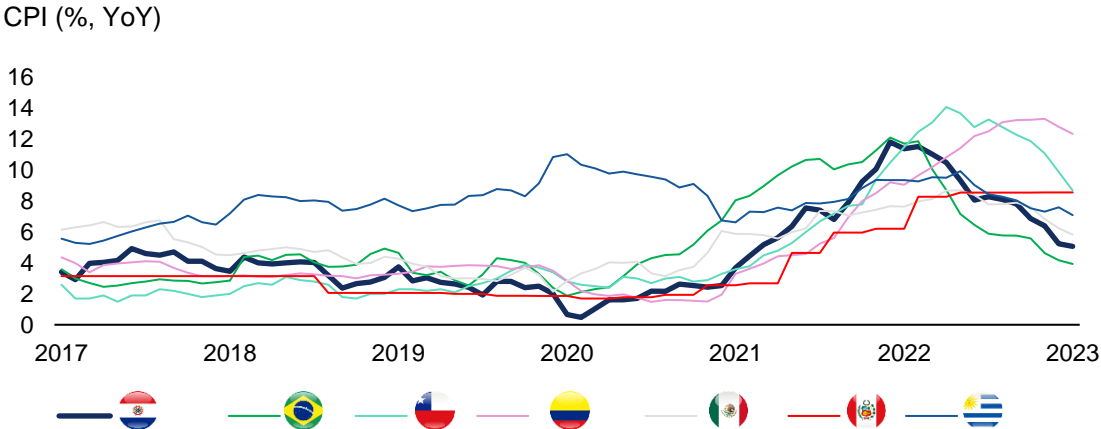


...while economic growth has increased after the drought

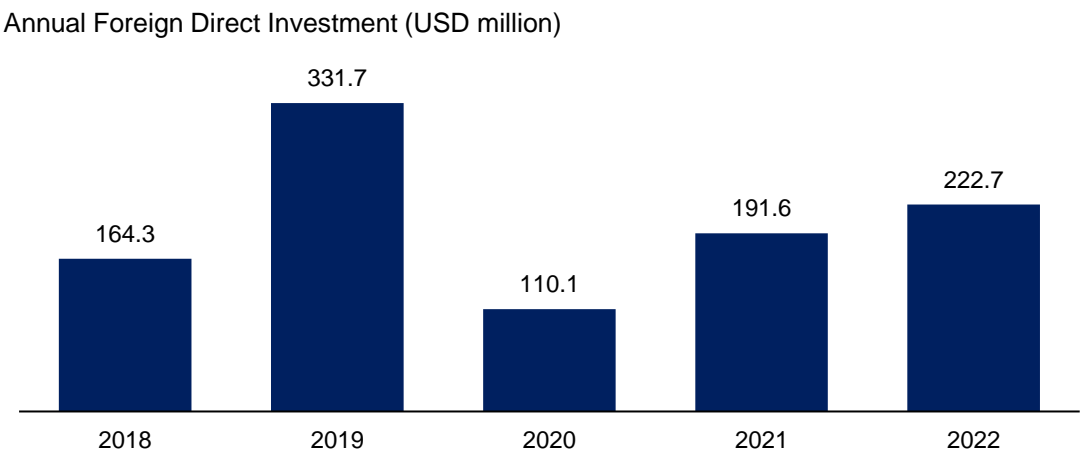


Sources: Central Bank of Paraguay

...which increased due to food and energy prices (supply chain disruptions and the Russia-Ukraine crisis) though it is on a downward trend



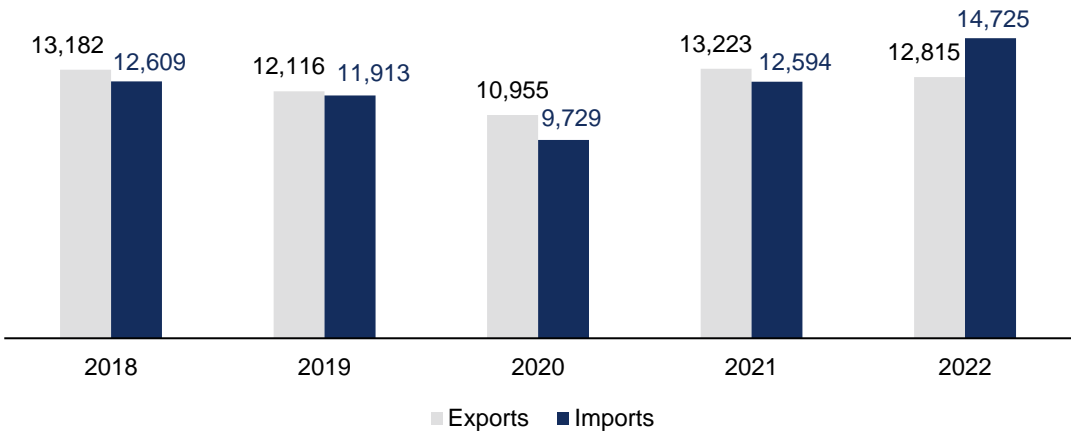
...and given stability in the country, foreign direct investments continue to increase despite external headwinds



Effective Counter Cyclical Policies Demonstrated by Economic Stabilization & Recovery

Despite the drought, exports decreased slightly though the current account balance widened due to oil imports

Exports & Imports (USD million)



...showcased through the stability of its currency

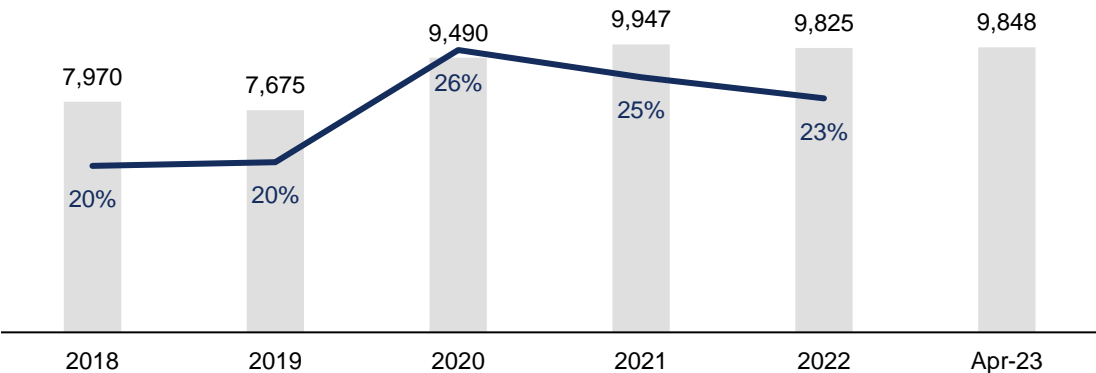
PYG/USD Performance Index (June 22, 2020 = 100)



Sources: Ministry of Finance, Central Bank of Paraguay

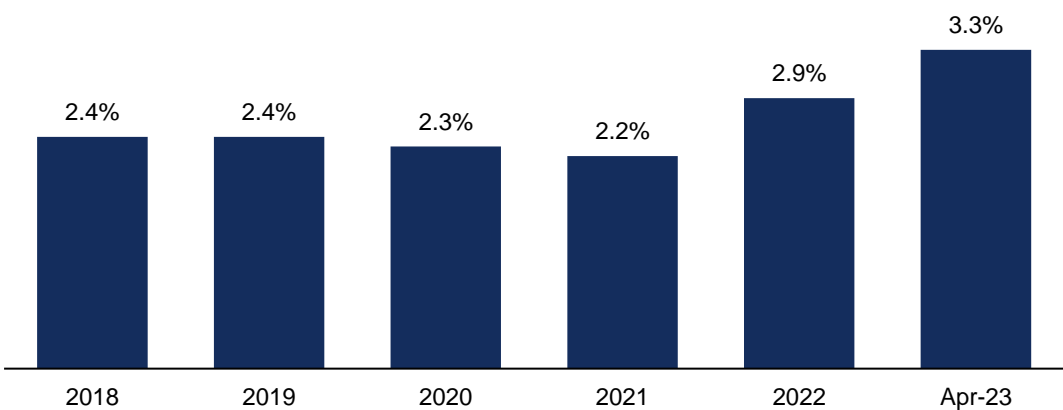
...nevertheless, the country's external buffers such as international reserves remain strong, helping mitigate external shocks

Central Bank International Net Reserves (In USD million and % GDP)



...and the healthy financial system

Non-Performing Loans (% of Total Loans)



THANK YOU
