



# **Centre for Metallurgical Industries**

www.cime.org.py - Asunción - Paraguay

Founded on 20/01/51

Asuncion, 16 April 2015

NEN P No. 25/15

Werner Hoyer  
President of the European Investment Bank  
100 Boulevard Konrad Adenauer  
L - 2950 Luxembourg- Kirchberg

The *Centro de Industriales Metalúrgicos de la República del Paraguay*, CIME, [Centre for Metallurgical Industries of the Republic of Paraguay] is writing to you to request the urgent **SUSPENSION OF THE LOAN** of EUR 75 million granted to Paraguay, to be administered by the *Administración Nacional de Electricidad*, ANDE [National Electricity Administration], due to serious irregularities and breach of the Constitution of Paraguay, as we explain below.

By virtue of Decree number 883/2013, the President of the Republic of Paraguay approved the terms and conditions of the Loan and Financing Agreements and the Guarantee Agreements to finance the project of construction of the Yacyreta - Villa Hayes 500 KV line granted to Paraguay by *Banco Interamericano de Desarrollo* [the Inter-American Bank of Development], the European Investment Bank and *Corporación Andina de Fomento* [the Development Bank of Latin America].

The approval of the Agreements and State Guarantee for the said loans by means of Act No. 5148/2014 is not applicable because they have not been included in Act No. 5148 and the Act therefore does not meet the requirements established in the National Constitution for it to be passed and to enter into force in the Republic of Paraguay. This irregular publication in Official Gazette of Paraguay No. 127 of 7 July 2014 demonstrates the illegality of the granting of the loans from the outset. The publication of the State Guarantee for the EIB loan as an Appendix in Official Gazette No. 172 of 9 September 2014 is more serious. The lack of full validity of Act No. 5184/2014 has been reported to the National Congress control bodies.

The following rule has been established by the European Investment Bank and is set out in the Finance Agreement: Article: 4,033A (4). **CHANGE IN LEGISLATION**; In the event that a change in legislation takes place or is imminent, the Borrower must inform the Bank of that circumstance **IMMEDIATELY**. In that event, if the Bank has reasonable grounds to believe that a change in legislation has occurred or is imminent, the Bank may issue a request to the Borrower for the commencement of negotiations. This article states that the Bank may cancel the part of the loan not drawn down by sending the relevant notice to the Borrower.

Due to the failure to pass the Act, the request for a report from the Senate on the Borrower, the judicialisation by the CIME of the call for bids of the "Turnkey" Borrower of the EIB loan for the construction of the transmission towers and the opinion issued by the Office of the Controller General of the Republic which states that the "Turnkey" bidding is in breach of the National Constitution, we are faced with an imminent change in the legislation.

Article No. 6.04 Bidding: states in due form that the bidding must be open (3), along with the principles of transparency and equal treatment which, according to the opinion issued by the Office of the Comptroller, do not exist in "Turnkey" bidding-



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Article No. 6.13 Formal Statement: (g) there is no litigation, arbitration, administrative procedure or investigation pending or in progress (nor is it confirmed that any is imminent) before a court, arbitration body or any administration whatsoever that such entails (or that was resolved adversely). Clause 8 Information and visits 8.01 Information concerning the project. The Borrower must (a) deliver to the Bank (c) inform the Bank immediately of:

(I) Any action or claim instituted, opposition filed by any third party, any complaint received by the Borrower or any other aspect that may affect the project of which the Borrower is aware, regardless of whether it has already been instituted, entities pending resolution or its institution is imminent.

The Borrower has not informed the Bank all of the procedures instituted, the opinion of the Office of the Comptroller General of the Republic, the request for a report by the Senate and the lawsuit filed by the CIME supported by the opinion of the Office of the Comptroller.

The foregoing is sufficient reason urgently to suspend the loan from the EIB of EUR 75 million to ANDE. It is important to state that the World Bank recently cancelled a loan to ANDE of USD 100 million due to lack of administration.

I hope for an urgent resolution to our request.

Best regards,

[Signature]

[Centre for Metallurgical Industries, Founded on 20 January 1951, C.I.M.E. Legal Status No. 6254,  
- Asuncion.]