

CONFORMED COPY

LOAN NUMBER 2802 UR

(Refinery Modernization Project)

between

REPUBLICA ORIENTAL DEL URUGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 29, 1987

LOAN NUMBER 2802 UR

GUARANTEE AGREEMENT

AGREEMENT, dated July 29, 1987, between REPUBLICA ORIENTAL DEL URUGUAY (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Administracion Nacional de Combustibles, Alcohol y Portland (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to twenty-four million four hundred thousand dollars (\$24,400,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement;

(C) the Guarantor shall carry out Part B (iv) of the Project as provided hereinafter and for such purposes, a portion of the Loan shall be made available to the Guarantor upon the terms and conditions set forth in the Loan Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower and to undertake such other obligations towards the Bank as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modification set forth in Section 1.01 of the Loan Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth, and the term "Forestry Management Study" means the study being carried out by the Guarantor's Direccion Nacional de Energia.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 or of Article III of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project (other than Part B (iv) thereof), to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Section 2.03. Without in any way limiting or restricting the generality of the preceding Sections of this Article, the Guarantor shall, pursuant to its imports regulations take, in a timely fashion, all such measures or steps as shall be necessary or convenient to expedite, to the extent practicable, any proceedings initiated by the Borrower in connection with the imports of goods or services required for the execution of the Project.

ARTICLE III

Execution of Part B (iv) of the Project

Section 3.01. (a) The Guarantor shall carry out Part B (iv) of the Project through its Office of Planning and Budgeting, with due diligence and efficiency and in conformity with appropriate administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part B (iv) of the Project.

(b) Without limiting or restricting the generality of the provisions of paragraph (a) above, the Guarantor, through its Office of Planning and Budgeting shall enter with the Borrower

into the Subsidiary Agreement, shall exercise its rights thereunder and shall not, except if otherwise agreed with the Bank, amend, revoke, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the consultants' services required for Part B (iv) of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to this Agreement.

(b) The Guarantor shall cause the aforesaid consultants to submit, by April 30, 1988, the final report concerning Part B (iv) of the Project and shall promptly thereafter, exchange views with the Bank on the findings and recommendations of such report.

(c) By September 30, 1988, the Guarantor shall prepare and submit to the Bank a plan of action, with a timetable therefor, which takes into consideration the findings and recommendations of such study and the aforementioned exchange of views.

Section 3.03. (a) The Guarantor shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part B (iv) of the Project of the departments or agencies of the Guarantor responsible for carrying out such Part of the Project.

(b) The Guarantor shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditures, the Guarantor shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their

preparation, can be relied upon to support the related withdrawals.

Section 3.04. The Guarantor shall carry out the obligations set forth in Sections 9.05, 9.06 and 9.07 of the General Conditions (relating to use of services, plans and schedules and records and reports, respectively) in respect of the Guarantee Agreement and Part B (iv) of the Project.

ARTICLE IV

Other Covenants

Section 4.01. The Guarantor shall, not later than three months upon completion of the Forestry Management Study, furnish to the Bank for comments a copy of such report, and shall afford the Bank a reasonable opportunity to express its views on the findings and recommendations of such report related to the energy sector.

ARTICLE V

Representatives of the Guarantor; Addresses

Section 5.01. The Minister of Economy and Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministerio de Economia y Finanzas
Colonia 1089
Montevideo, Uruguay

Cable address:

MINECON
Montevideo, Uruguay

Telex:

6269 MINECON UY

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLICA ORIENTAL DEL URUGUAY

By /s/ Hector Luisi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain
Regional Vice President
Latin America and Caribbean

SCHEDULE

Consultants' Services

In order to assist the Guarantor in carrying out Part B (iv) of the Project, the Guarantor shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

