

LOAN NUMBER 9610-UY

Loan Agreement

(Uruguay Green and Resilient Growth Development Policy Loan)

between

ORIENTAL REPUBLIC OF URUGUAY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between ORIENTAL REPUBLIC OF URUGUAY (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program, and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework.

WHEREAS,

- (A) the Bank, acting as Trustee of the IBRD Fund for Innovative Global Public Good Solutions, has agreed to provide financing in an amount not to exceed twelve million and five hundred thousand Dollars (\$12,500,000) for the Buydown, in accordance with the provisions of this Agreement, including achievement of Key Performance Indicator (“KPI”) Targets set out in Schedule 3 to this Agreement; and
- (B) the Bank and the Borrower have agreed to consider the possibility of applying for additional financing for the Buydown as an incentive for early achievement of the KPI Targets if new financing becomes available from one or more countries from Annex I of the United Nations Framework Convention on Climate Change.

The Borrower and the Bank, therefore, hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of three hundred fifty million Dollars (US\$350,000,000 (“Loan”). Currency Conversion, Interest Rate Cap, and Interest Rate Collar shall not be permitted in respect of this Loan, and the provisions of the General Conditions relating to Currency Conversion, Interest Rate Cap, and Interest Rate Collar, including the provisions of Article IV, shall not apply to this Loan.
- 2.02. The Front-end Fee is one-quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one-quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. (a) The interest rate is the Reference Rate plus the Variable Spread or such rate as may

apply following an Interest Rate Conversion, less the Buydown if applicable, subject to Section 3.02 of the General Conditions and Section 2.06 of this Agreement.

- (b) The Buydown for each applicable Interest Period shall be at the levels as set forth in Schedule 3 to this Agreement and shall reduce the rate of the interest payable in the relevant Interest Period, provided, however, that: (i) each Buydown shall not exceed the interest payable in the relevant Interest Period; (ii) the KPI Target corresponding to that Interest Period has been achieved, and is verified to the Bank's satisfaction in accordance with Schedule 3 to this Agreement; and (iii) the cumulative amount of all Buydowns under this Agreement shall not exceed the amount of twelve million five hundred thousand Dollars (\$12,500,000), without prejudice to the possibility referred to in Whereas B of this Agreement concerning the eventuality of additional funds becoming available from one or more countries from Annex I of the United Nations Framework Convention on Climate Change.

- 2.05. The Payment Dates are April 1st and October 1st in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program, including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Ministry of Economy and Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministerio de Economía y Finanzas
Colonia No. 1089, Piso 3
CP: 11100
Montevideo, Uruguay; and

(b) the Borrower's Electronic Address is:

E-mail:
organismos.multilaterales@mef.gub.uy

- 6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	mfay@worldbank.org

AGREED as of the Signature Date.

ORIENTAL REPUBLIC OF URUGUAY

By

Azucena Arbeleche

Authorized Representative

Name: _____ Azucena Arbeleche

Title: _____ Minister

Date: _____ 07-May-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Marianne Fay

Authorized Representative

Name: _____ Marianne Fay

Title: _____ Country Director

Date: _____ 07-May-2024

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:
1. To formalize Uruguay's climate commitments under the Paris Agreement, the Borrower has approved the second Nationally Determined Contributions (NDC) under the Paris Agreement framework, as evidenced by the UNCCS letter dated January 30, 2023, acknowledging submission of Uruguay's second NDC Submission.
 2. To enhance carbon sequestration, promote climate resilience, and protect biodiversity through the conservation of native forests, the Borrower has excluded native forests from the total property area that is used to calculate exceptions to various taxes, as evidenced by Articles 477, 478, and 491 of Law No. 20.075, dated October 20, 2022, and published in the Official Gazette on November 3, 2022.
 3. To conserve marine ecosystems and preserve blue carbon sinks, the Borrower, through Ministry of Environment (MA), has identified new Marine Protected Areas covering at least 10% of Uruguay's Exclusive Economic Zones ("EEZs"), established a strategy for the protection of 30 percent of Uruguay's EEZs by 2030, and identified new areas considered "relevant for conservation" covering an estimated 30 percent of Uruguay's EEZ, as evidenced by Ministerial Resolution No. 1152/022, dated December 12, 2022.
 4. To advance environmental and social sustainability and climate goals and expand trade opportunities for low-carbon organic agricultural products, the Borrower, through Ministry of Livestock, Agriculture and Fisheries (MGAP), has systematized the certification of organic and integrated agricultural and aquaculture production, as evidenced by Decree No. 175/022, dated May 24, 2022, and published in the Official Gazette on May 31, 2022.
 5. To foster the production and use of green hydrogen as a clean fuel to decarbonize freight heavy industry and agriculture, the Borrower, through Ministry of Industry, Energy and Mining (MIEM), has created the program "*Fondo Hidrógeno Verde*" to promote innovation and research in Green Hydrogen and its derivatives, as evidenced by the agreement between the MIEM, Uruguay Technological Laboratory (LATU), and National Agency of Research and Innovation (ANII), dated March 30, 2022.
 6. To promote food and essential goods price resilience against climate and global shocks and foster a competitive tradable sector, the Borrower, through MEF, has: (i) reduced its common external tariff on average by 10 percent in agreement with its Mercosur partners, as evidenced by Decree No. 369/022, dated November 11, 2022, and published in the Official Gazette on November 24, 2022, that adopted Mercosur's Common Market Council Decision No. 8/22; and (ii) reduced the import charges for assessing regulatory conformity for imported food items from 1.5 percent to 0.5

percent, as evidenced by Decree No. 194/022, dated June 14, 2022, and published in the Official Gazette on June 20, 2022.

7. To strengthen its competition policy framework, increase market contestability and foster legal certainty, the Borrower, through MEF, has: (i) created and operationalized a network of regulators with competition enforcement powers, to reinforce interinstitutional cooperation and promote information sharing as evidenced by a Framework Collaboration Agreement signed on November 22, 2022; and (ii) strengthened merger control rules by enabling more thorough analysis in problematic cases and approving technical norms clarifying key elements of the regulatory framework, as evidenced by Article 147 of Law No. 20.075 dated October 20, 2022 and published in the Official Gazette on November 3, 2022, and Resolution No. 175/022 dated August 23, 2022.
8. To promote investment and credit in domestic currency and longer-term financial instruments, the Borrower has issued measures to: (i) homogenize rates for returns in indexed and nominal Uruguayan Pesos; (ii) reduce tax rates for returns in local currency and longer-term investments; and (iii) homogenize tax rates and terms for returns on investments in bank deposits and market instruments, as evidenced by Articles 485 and 487 of Law No. 20.075 dated October 20, 2022 and published in the Official Gazette on November 3, 2022.
9. To provide risk mitigation and expand financing for rural and agricultural family businesses led by women, the Borrower, through National Development Agency (ANDE) and National Financial Corporation Administrator of Investment Funds S.A. (CONAFIN AFISA), has operationalized the Guarantee Fund for the Implementation of Rural Development Policies (FOGADER), by executing two agreements with financial entities, as evidenced by the agreement executed between CONAFIN AFISA and Uruguayan Foundation for Solidarity Cooperation and Development (FUNDASOL), dated March 10, 2022, and the agreement executed between CONAFIN AFISA and *República Microfinanzas S.A.*, dated March 8, 2022.

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan is allocated: (a) in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to pay the Front-end Fee. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in Dollars)
(1) Single Withdrawal Tranche	349,125,000
(2) Front-end Fee	875,000
TOTAL AMOUNT	350,000,000

C. Withdrawal of Loan Proceeds.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

The Borrower, within forty-five (45) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; and (b) the record that an equivalent amount has been accounted for in the Borrower's budget management systems.

E. Closing Date.

The Closing Date is November 30, 2025.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each April 1 and October 1 Beginning April 1, 2028 through October 1, 2038	4.35%
On April 1, 2039	4.30%

SCHEDULE 3

1. Key Performance Indicator, Targets and Buydown Rates

KPI Target Observation Date/Verification Date	KPI Lower Target	Buydown rate allocated for achievement of Lower KPI target (expressed as a basis point reduction in the interest rate payable in the relevant Interest Period)	KPI Higher Target	Buydown rate allocated for achievement of Higher KPI target (expressed as a basis point reduction in the interest rate payable in the relevant Interest Period)	Interest Periods to which buydown applies/Payment dates
KPI. The percentage by which the Intensity of Emissions of Methane per Unit of Product has been reduced from the baseline in 1990.					
December 31, 2025 /May 31, 2028	33%	50 bps	NA	-	From April 2, 2028, to April 1, 2029/October 1, 2028, and April 1, 2029.
December 31, 2026 /May 31, 2029	33%	50 bps	NA	-	From April 2, 2029, to April 1, 2030/October 1, 2029, and April 1, 2030.
December 31, 2027 /May 31, 2030	33%	50 bps	NA	-	From April 2, 2030, to April 1, 2031/October 1, 2030, and April 1, 2031.
December 31, 2028 /May 31, 2031	33%	50 bps	NA	-	From April 2, 2031, to April 1, 2032/October 1, 2031, and April 1, 2032.
December 31, 2029 /May 31, 2032	33%	50 bps	NA	-	From April 2, 2032, to April 1, 2033/October 1, 2032, and April 1, 2033.
December 31, 2030 /May 31, 2033	33%	50 bps	36%	100 bps	From April 2, 2033, to April 1, 2034/October 1, 2033, and April 1, 2034.

December 31, 2031 /May 31, 2034	33%	50 bps	36%	100 bps	From April 2, 2034, to April 1, 2035/October 1, 2034, and April 1, 2035.
December 31, 2032 /May 31, 2035	33%	50 bps	36%	100 bps	From April 2, 2035, to April 1, 2036/October 1, 2035, and April 1, 2036.
December 31, 2033 /May 31, 2036	33%	50 bps	36%	100 bps	From April 2, 2036, to April 1, 2037/October 1, 2036, and April 1, 2037.
December 31, 2034 /May 31, 2037	33%	50 bps	36%	100 bps	From April 2, 2037, to April 1, 2038/October 1, 2037, and April 1, 2038.

2. Independent Verification Agency and Verification and Methodology Arrangements

- 2.1. For purposes of verifying the achievement of the KPI Targets, the Bank shall retain in accordance with the terms of reference acceptable to the Borrower, an Independent Verification Agency to undertake the verification process related to the achievement of the KPI Targets following the UNFCCC's Guide for Peer Review of National Greenhouse Gas Inventories 2017, as this may be updated from time to time.
- 2.2. Notwithstanding the provisions of Section 2.1. above, it is understood that the methodology to be used to calculate the Borrower's performance against the KPIs shall be the same as that employed by the Borrower to report its Nationally Determined Contributions (NDCs) progress data to the United Nations. To this regard, the estimate of the intensity of methane emissions from the non-dairy livestock sector per unit of live-weight product shall be calculated applying the methodology set out in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, as these may be updated from time to time. Once calculated, the estimate of the KPI value shall be rounded up or down to the nearest integer.
- 2.3. For purposes of verifying the achievement of the KPI Targets, the Borrower shall provide to the Bank and the Independent Verification Agency the information, data, and other evidence supporting the achievement of the KPI Targets at least five (5) months prior to each KPI Target Verification Date referred in the table in Section 1 of this Schedule 3.

3. Buydown for Each Interest Period

- 3.1. Notwithstanding the provisions of Section 2.04(b)(ii) of this Agreement, each Buydown for the respective Interest Period shall be applied to the respective interest amount payable for the relevant Interest Period only after the Bank has received evidence, in form and substance acceptable to the Bank, confirming the Borrower's achievement of the respective KPI Target, as set forth in Section 1 of this Schedule 3.
- 3.2. The Bank shall:
 - (a) verify the achievement of the KPI Target and calculate the amount of the Buydown for each Interest Period in accordance with the Verification and Calculation Protocol; and
 - (b) once the Bank procedure referred to in (a) above is completed, the Bank shall notify the Borrower of the result of the verification of the achievement of the KPI Target, at least 60 days before the first interest payment is due in each Interest Period referred to in Section 1 of Schedule 3 to this Agreement.
- 3.3. Notwithstanding the provisions of Sections 3.1 and 3.2 above:
 - (a) if the Bank is not satisfied that the KPI Target for one of the Interest Periods has been achieved by its respective KPI Target Observation Date/Verification Date, all as set forth in the table in Section 1 of Schedule 3 to this Agreement, the foregone nominal Buydown amount corresponding to the KPI Target that has not been achieved may, at the request of the Borrower, be carried forward and be

applied to the interest amount to be paid by the Borrower in the Interest Period from April 2, 2038, to April 1, 2039, provided that the Bank is satisfied that the KPI Target that was not achieved has been achieved for the year corresponding to the observation date of December 31, 2035, and the verification date of May 31, 2038, provided however that the provisions of Section 2.04(b) of this Agreement are applied; and

- (b) in the case of an Early Achievement and if the Bank is satisfied that the KPI Higher Target of 36% has been achieved for the year corresponding to the observation date of December 31, 2029, and the verification date of May 31, 2032, the higher Buydown rate of 100 bps may be applied for only one time to the interest amount to be paid by the Borrower in the Interest Period from April 2, 2032, to April 1, 2033, provided however that the provisions of Section 2.04(b) of this Agreement are applied.

APPENDIX

Section I. Definitions

1. “ANDE” means *Agencia Nacional de Desarrollo*, the Borrower’s National Development Agency.
2. “ANII” means *Agencia Nacional de Investigación e Innovación*, the Borrower’s National Agency of Research and Innovation.
3. “Buydown” means, for Each Interest Period, the amount corresponding to the levels in basis points set forth in Schedule 3 to this Agreement and deducted from the interest payable in the relevant Interest Period, if the KPI Target corresponding to that Interest Period has been achieved and is verified to the Bank’s satisfaction in accordance with Schedule 3 to this Agreement.
4. “CONAFIN AFISA” means *Corporación Nacional Financiera Administradora de Fondos de Inversión S.A.*, an investment fund manager and financial trustee authorized to operate by the Central Bank of Uruguay.
5. “Early Achievement” means the achievement of the KPI Target of 36% by the Borrower before December 31, 2030.
6. “EEZ” means Exclusive Economic Zone.
7. “FOGADER” means *Fondo de Garantía para la Implementación de Políticas para el Desarrollo Rural*, the guarantee fund established by ANDE and CONAFIN AFISA for the implementation of rural development policies.
8. “*Fondo Hidrógeno Verde*” a program created through an agreement executed by MIEM, LATU, and the ANII to finance projects associated with research, innovation, and development of Green Hydrogen and related products.
9. “FUNDASOL” means *Fundación Uruguaya de Cooperación y Desarrollo Solidarios*, a financial institution that provides credits to beneficiaries of rural development policies guaranteed by FOGADER.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (last revised on July 15, 2023).
11. “Independent Verification Agency” means the entity referred to in Section 2 of Annex 3 to this Agreement.
12. “Intensity of Emissions of Methane per Unit of Product” means the intensity of methane emissions from non-dairy livestock per unit of live-weight beef at slaughter.

13. “KPI” means the key performance indicator referred to in Schedule 3 to this Agreement.
14. “KPI Target” means each Higher or Lower target under the KPI referred to in Schedule 3 to this Agreement.
15. “LATU” means *Laboratorio Tecnológico del Uruguay*, the Borrower’s technological Laboratory.
16. “MEF” means *Ministerio de Economía y Finanzas*, the Borrower’s Ministry of Economy and Finance, or any successor thereto acceptable to the Bank.
17. “MGAP” means *Ministerio de Ganadería, Agricultura, y Pesca*, the Borrower’s Ministry of Livestock, Agriculture and Fisheries, or any successor thereto acceptable to the Bank.
18. “MA” means *Ministerio de Ambiente*, the Borrower’s Ministry of Environment, or any successor thereto acceptable to the Bank.
19. “MIEM” means *Ministerio de Industria, Energía y Minería*, the Borrower’s Ministry of Industry, Energy, and Mining, or any successor thereto acceptable to the Bank.
20. “MPA” means Marine Protected Areas.
21. “Native Forest Area” means an area of forest protected under the Borrower’s Law No. 15939 (*Ley Forestal*), dated December 28, 1987, and published in the Borrower’s Official Gazette on February 9, 1988, calculated according to the methodology used for the National Forest Cartography (*Cartografía Forestal Nacional*).
22. “NDC” means the Borrower’s Nationally Determined Contribution to the United Nations Framework Convention on Climate Change.
23. “Paris Agreement” means the legally binding international treaty on climate change adopted at the 2015 United Nations Climate Change Conference, under the Borrower’s Law No.19439, dated October 17, 2016, and published in the Borrower’s Official Gazette on October 24, 2016.
24. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated October 8, 2023 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
25. “*República Microfinanzas S.A.*” a financial institution that provides credits to beneficiaries of rural development policies guaranteed by FOGADER.
26. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement, and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

27. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
28. “UNFCCC” means the United Nations Framework Convention on Climate Change.
29. “Verification and Calculation Protocol” means the internal protocol established by the Bank to verify the data and other evidence supporting the achievement of the KPI Target and calculate the amount of the respective Buydown as per Schedule 3 to this Agreement.