

CONFORMED COPY

LOAN NUMBER 3323 UR

(Debt and Debt Service Reduction Project)

between

REPUBLICA ORIENTAL DEL URUGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 25, 1992

LOAN NUMBER 3323 UR

LOAN AGREEMENT

AGREEMENT, dated June 25, 1992, between REPUBLICA ORIENTAL DEL URUGUAY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated April 17, 1991, from the Borrower describing the Borrower's medium term macro-economic objectives and proposed policies and actions designed to secure higher investment and export-led growth (the Economic Program) and declaring the Borrower's commitment to the execution of the Economic Program;

(B) on February 19, 1991, the Borrower implemented its debt relief and new financing program described in the Borrower's 1990 Financing Program dated November 5, 1990 (hereinafter the 1990 Financing Program), as a result of which: (i) Banco Central del Uruguay (hereinafter Banco Central) purchased for cash the equivalent of approximately US\$628,000,000 of Eligible Debt (as hereinafter defined) with a discount of 44%; (ii) Banco Central issued Collateralized Fixed Rate Notes (as hereinafter defined) at

part in exchange for the equivalent of approximately US\$535,000,000 of Eligible Debt; and (iii) Participating Lenders agreed to purchase the equivalent of approximately US\$89,000,000 in New Money Notes (as defined in the 1990 Financing Program);

(C) the 1990 Financing Program has been designed to support the Economic Program;

(D) the Borrower has requested assistance from the Bank, the Inter-American Development Bank and the International Monetary Fund, in the financing of a portion of the cost of: (1) the purchase price of Eligible Debt purchased by Banco Central under the 1990 Financing Program; and (2) acquisition of collateral to secure interest payments on the Collateralized Fixed Rate Notes; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower to support the Economic Program upon the terms and conditions set forth in this Agreement;

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 modifications set forth in Schedule 4 to this 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 the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Collateral" means collateral pledged by Banco Central to secure interest payments on the Collateralized Fixed Rate Notes (as hereinafter defined) in accordance with agreements entered into pursuant to the 1990 Financing Program, and to be partially financed out of the proceeds of the Loan; and "Specific Collateral" means the specific portions of the Collateral, as so defined, to be financed (to the extent possible, fully) out of the proceeds of the Loan under Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement;

(b) "Collateral Account" means each of the interest collateral accounts in which the Collateral for the Collateralized Fixed Rate Notes is maintained in accordance with the collateral pledge agreement (hereinafter the "Collateral Pledge Agreement") made by Banco Central in favor of the Federal Reserve Bank of New York, as collateral agent (hereinafter the "Collateral Agent"), pursuant to the 1990 Financing Program;

(c) "Collateralized Fixed Rate Note" means each of the Collateralized Fixed Rate Notes due 2021 issued by Banco Central under the 1990 Financing Program;

(d) "Debt Purchase Offer" means the debt purchase offer dated November 5, 1990 made by Banco Central under the 1990 Financing Program;

(e) "Eligible Debt" has the same meaning ascribed thereto in the 1990 Financing Program;

(f) "Fiscal Year" means the fiscal year of the Borrower beginning on January 1 of each year;

(g) "Participating Lenders" means commercial banks and other financial institutions with Eligible Debt that have participated in the 1990 Financing Program;

(h) "Purchase" means the aggregate of cash payments made by Banco Central to Participating Lenders under the agreements entered into pursuant to the Debt Purchase Offer and to be partially financed out of the proceeds of the Loan; and "Specific Purchases" means the specific portions of the Purchase to be financed (to the extent possible, fully) out of the proceeds of the Loan under Category (2) of the table set forth in paragraph 1 of Schedule 1 to this Agreement; and

(i) "Purchase and Collateral Financing" means the aggregate of the amounts provided by the Bank, the Inter-American Development Bank and the International Monetary Fund for the financing of the acquisition of Collateral and for the payment of Purchases.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixty five million dollars (\$65,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing

interest rates determined otherwise than as provided in paragraph (a) of this Section.

- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. (a) Upon the occurrence of any of the following events, the Bank, at its option, may, by notice to the Borrower, require the Borrower to repay, in advance of maturity, such portion of the principal amount of the Loan then outstanding as specified below together with all accrued interest and other charges thereon:

- (i) The Bank shall have determined at any time that any amount of the Loan has not been used for the purpose of the Project in which case the amount of the Loan subject to prepayment shall be such amount as shall have been so determined.
- (ii) Any portion of the Collateral shall have been released to the Borrower and the remaining amount of the said Collateral shall be less than the amount of the Purchase and Collateral Financing in which case the amount of the proceeds of the Loan subject to prepayment shall be equal to the difference between (1) the amount resulting after deducting from the amount of the Purchase and Collateral Financing the sums which have been repaid by the Borrower out of the amounts drawn by the Borrower from the International Monetary Fund allocable to the Collateral and the amounts lent to the Borrower by the Inter-American Development Bank used to finance, directly or indirectly, the acquisition of portions of the Collateral and (2) the remaining amount of the Collateral, less: (A) any amounts which have been previously prepaid pursuant to this Section 2.08 (a) (ii); and (B) any amounts which would have been subject to such prepayment but for the provision of the following sentence. The provisions of this paragraph shall not apply if the Borrower establishes, to the satisfaction of

the Bank, that the amount of such Collateral so released has been or will be used to support further debt or debt service reduction activities of the Borrower.

- (iii) The pledge of the Collateral shall have ceased to be a valid and perfected first priority security interest in favor of the Collateral Agent on behalf of the holders of Collateralized Fixed Rate Notes, in which case the amount of the Loan subject to prepayment shall be the amount of the proceeds of the Loan then withdrawn from the Loan Account in respect of Specific Collateral less any amounts thereof which have been previously paid pursuant to the provisions of this Agreement.

(b) The Borrower shall inform the Bank of the occurrence of any of the events listed in paragraph (a) of this Section within five (5) working days of the occurrence thereof.

(c) The Bank hereby waives the payment of any premium payable under Schedule 3 to this Agreement on prepayment of any portion of the Loan pursuant to paragraph (a) of this Section.

(d) Prepayment of all or any portion of the Loan in accordance with paragraph (a) of this Section shall be made on a date and in the currency specified by the Bank and the amount so prepaid shall be deleted from the Central Disbursement Account on such date.

Section 2.09. The Borrower's officers appointed by the representative of the Borrower stipulated in Section 7.01 of this Agreement are hereby designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions including, without limitation, preparing withdrawal applications under the Loan and collecting the documents and other evidence to be furnished to the Bank in support of such applications.

ARTICLE III

Financial Covenants

Section 3.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with consistently maintained sound accounting practices the payments made in respect of the Project and financed out of the proceeds of the Loan.

(b) The Borrower 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 four months after the end of each such year, a certified copy of 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 Borrower 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 or years in which the last withdrawal from the Loan Account was made, all records (contract, 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 expenditures 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.

ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower and the Bank shall, from time to time, at the request of any party, exchange views on the Economic Program and the 1990 Financing Program.

(b) Prior to each such exchange of views in respect of the Economic Program, the Borrower shall furnish to the Bank for its review and comment a report on the Economic Program in such detail as the Bank shall reasonably request.

Section 4.02. Without any limitations or restrictions upon the provisions of Section 9.01 of the General Conditions and Section 2.08 (b) of this Loan Agreement, the Borrower shall: (i) at all times keep the Bank informed of all notices, certificates and confirmations issued to or received by the Borrower or Banco Central in respect of the Collateral or the Purchase; and (ii) cause Banco Central to provide to the Bank copies of the monthly reports with respect to the Collateral to be delivered by the Collateral Agent to Banco Central pursuant to the provisions of the Collateral Pledge Agreement within 15 days of the receipt thereof.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Economic Program, or any significant part thereof, will be carried out; and

(b) any of the events specified in paragraphs (ii) or (iii) of Section 2.08 of this Agreement shall have occurred.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the financing package for the 1990 Financing Program to be funded by sources external to the Borrower has been completed; and

(b) that the Borrower's macroeconomic policy framework is consistent with the objectives of the Economic Program.

Section 6.02. The date of August 25, 1992 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Economia y Finanzas
Colonia 1,089
Montevideo, Uruguay

Cable address:

Telex:

MINECON
Montevideo, Uruguay

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:

Telex:

INTBAFRAD
Washington, D.C.

197688 (TRT)
248423 (RCA) or
64145 (WUI)
82987 (FTCC)

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/ Ignacio de Posadas

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Specific Collateral	33,000,000)))	100% of foreign expenditures
(2) Specific Purchases	32,000,000)	
TOTAL	65,000,000 =====	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for Specific Purchases or for the acquisition of Specific Collateral.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to February 15, 1991; (b) in respect of Specific Collateral unless the Borrower has furnished to the Bank a certificate, in form and substance satisfactory to the Bank, showing that there are no defaults under the Collateralized Fixed Rate Notes affecting the Specific Collateral in question; and (c) in respect of any Specific Purchase, unless the Borrower has furnished to the Bank a certificate in form and substance satisfactory to the Bank showing that the Specific Purchase in question, as provided for in the corresponding agreement or agreements referred to in Part B of the Project, remain in full force and effect. Without limitation or restriction on the provisions of Section 5.03 of the General Conditions, if the Bank shall so request in connection with one or more withdrawals from the Loan Account, the Borrower shall furnish to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank in connection with any of the aforesaid conditions.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's Economic Program and the 1990 Financing Program.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Interest Support

Provision of Collateral for the purpose of securing the payment of interest on the Collateralized Fixed Rate Notes.

Part B: Debt Reduction

Purchase of Eligible Debt by Banco Central pursuant to one or more agreements entered into pursuant to the Debt Purchase Offer.

* * *

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each January 15 and July 15 beginning January 15, 1997 through July 15, 2006	3,250,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Modifications of General Conditions

1. The following provisions of the General Conditions are deleted:

- (a) The last sentence of Section 3.02.
- (b) Section 5.02.
- (c) Section 5.04.
- (d) Section 5.08.
- (e) The phrase ", except that the Borrower may not so cancel

any amount of the Loan in respect of which the Bank shall have entered into a special commitment pursuant to Section 5.02" in Section 6.01.

(f) Paragraph (c) of Section 6.03.

(g) Section 6.04.

(h) The phrase "and not subject to any special commitment entered into by the Bank pursuant to Section 5.02" in Section 6.07.

(i) Section 9.04.

(j) Section 9.05.

(k) Section 9.06.

(l) Section 9.08.

(m) Section 9.09.

2. Section 4.01 shall be modified to read:

"Section 4.01. Currencies in which Withdrawals are to be Made. Except as the Bank and the Borrower shall otherwise agree, withdrawals from the Loan Account shall be made in the respective currencies in which the payments to be financed out of the proceeds of the Loan have been made or are to be made."

3. The last sentence of Section 4.02 (a) shall be modified to read:

"Each such amount shall be deleted from the Central Disbursement Account on the date it becomes due or such earlier date as may be accepted by the Bank for prepayment or as may be specified for prepayment pursuant to the Loan Agreement."

4. The second sentence of Section 4.02 (c) shall be modified to read:

"Each such amount shall be deleted from such sub-account on the date it becomes due or such earlier date as may be accepted for prepayment or as may be specified for prepayment pursuant to the Loan Agreement."

5. Section 5.01 shall be modified to read:

"Section 5.01. Withdrawal from the Loan Account. The Borrower shall be entitled to withdraw from the Loan Account amounts paid or, if the Bank shall so agree, to be paid for the purposes of the Project in accordance with the provisions of the Loan Agreement and of these General Conditions.

6. Section 5.03 shall be modified to read:

"Section 5.03. Applications for Withdrawal. When the Borrower shall desire to withdraw any amount from the Loan Account, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request."

7. In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

8. Section 9.07 shall be modified to read:

"Section 9.07. Records and Reports. (a) The Borrower shall: (i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the payments financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) enable the Bank's representatives to examine the records and documents relevant to the performance of the obligations of the Borrower under the Loan Agreement; and (iii) furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, and the payments financed out of the proceeds of the Loan.

(b) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the carrying out of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

