

CONFORMED COPY

LOAN NUMBER 3082 UR

Loan Agreement

(Second Technical Assistance Project)

between

REPUBLICA ORIENTAL DEL URUGUAY

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 19, 1989

LOAN NUMBER 3082 UR

LOAN AGREEMENT

AGREEMENT, dated July 19, 1989, between REPUBLICA ORIENTAL DEL URUGUAY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) .

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Banco Central" means Banco Central del Uruguay, the Borrower's Central Bank;

(c) "BPS" means Banco de Prevision Social, the Borrower's Social Security Bank, the administrator of the Borrower's Invalidez, Vejez y Supervivencia disability, old age and survival system;

(d) "Office" means Oficina de Planeamiento y Presupuesto, the Office of Planning and Budgeting of the Borrower's Presidency;

(e) "CEO" means the Chief Executive Officer of each of the banks involved in the Restructuring, as the term is defined in (j) below:

(f) "Subsidiary Loan Agreement" means each of the loan agreements to be entered into by the Borrower pursuant to Section 3.01 (b) of this Agreement;

(g) "Inter-Administrative Agreement" means the agreement to be entered into between the Borrower and BPS pursuant to Section 3.01 (c) of this Agreement;

(h) "Restructuring Agreement" means each of the agreements to be entered into between Corporacion and each commercial bank referred to in (i) below, as per the commitment to be made by Corporacion under the Subsidiary Loan Agreement between the Borrower and Corporacion pursuant to the provisions of Section 3.01 (b) of this Agreement;

(i) "BROU" means Banco de la Republica Oriental del Uruguay, a commercial bank wholly owned by the Borrower that as of March 1, 1989 was, or intended to be, the majority shareholder of the commercial banks referred to

in (j) below and under Part E of the Project, and that after the paying-in by Corporacion (as the term is defined below) of the shares of each of said banks to be subscribed by Corporacion in meeting the conditions stipulated to in paragraph 5 (a) (i) of Schedule 1 to the SAL Loan Agreement (as the term is defined below), shall become the only, or the largest, as the case may be, minority shareholder of each of the said banks; and "Corporacion" means the Borrower's Corporacion Nacional para el Desarrollo, a public law entity established by the Borrower Law No. 15785, as amended and Article 603 of Law No. 15,903 whose share of authorized capital stock may belong to the Borrower or other legal entities within the public sector in a proportion of not more than 60% of said authorized capital and that, after the paying-in of shares by Corporacion referred to above have been taken, shall become the majority shareholder of each of the said banks;

(j) "Restructuring" means a plan for the financial and managerial rehabilitation, and streamlining, of the three viable commercial banks operating in the Borrower's territory which are part of the banks mentioned in Chapter I, Paragraph 26 of the Program and are mentioned under Part E of the Project, with a view to their privatization, all as more substantially detailed in the letter to the Bank dated May 17, 1989, from the Director of the Office, referred to in the preamble to the SAL Loan Agreement;

(k) "Adjustment" means an adjustment mechanism for certain Subsidiary Loan Agreements, as follows: promptly after the Closing Date, representatives of the Borrower and each of Banco Central, and BROU will meet to determine the sum, if any, which the Borrower shall pay to each such entity or which such entity will pay to the Borrower, as the case may be, as compensation for differences between the amounts actually paid by such entity on account of principal interest and other charges under the corresponding Subsidiary Loan Agreement before the Closing Date, and amounts that would have been actually payable by such entity if the variations in the determination of the Loan's share referred to in paragraph (d) of Section 4.02 of the General Conditions during the period beginning with the first disbursement from the Loan Account for purposes of the corresponding Part of the Project the and ending the Closing Date would have been taken into account when making the actual payment in question.

(l) "SAL Loan Agreement" means the loan agreement between the Borrower and the Bank (Second Structural adjustment Loan), dated July 19, 1989, and "Program" has the same meaning stipulated in the Preamble to, and Section 1.02 of the SAL Loan Agreement;

(m) "Table" means the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement, as amended from time to time pursuant to Sect.on 5.04 of the General Conditions, or by agreement between the Borrower and the Bank; and

(o) "Coordinator" means a person whose experience and qualifications are satisfactory to the Borrower and the Bank, and whose services have been hired by Corporacion pursuant to paragraph 5 (a) (iv) of Schedule 1 to the SAL Loan Agreement with the main function of coordinating the activities of the CEOs.

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 six million five hundred thousand dollars (\$6,500,000), 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. (a) 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 goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in Banco Central on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1992 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 per annum for each Interest Period equal to one-half of one percent ($1/2$ of 1%) per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 1 and August 1 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. The Director of the Office or the person or persons respectively authorized by such Director in writing, are designated as representatives of the Borrower for purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 and of Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end shall carry out the Project through the Office with due diligence and efficiency and in conformity with appropriate administrative and financial practices and in collaboration with BPS in respect of Part A of the Project, BROU, in respect of Part F of the Project, Banco Central, in respect of Parts D and G of the Project, and Corporacion, in respect of Part E of the Project, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall relend the proceeds of the Loan allocated from time to time under sub-Categories (c) of Categories (1) and (2) of the Table to Banco Central, those allocated under sub-Categories (d) and (h) of, respectively, Categories (1) and (2) of the Table to BROU, and those allocated under sub-Categories (d) through (g) of Category (2) of the Table to Corporacion, under loan agreements to be entered into between the Borrower and, respectively, Banco Central, BROU and Corporacion, all under terms and conditions which shall have been approved by the Bank and which, inter alia, shall include financial terms and conditions which (i) shall reflect as closely as possible (A) the financial terms and conditions of the Loan and which shall treat all payments made under the Subsidiary Loan Agreement as provisional, and subject to Adjustment, except in the case of Corporacion to whom the corresponding relending shall be denominated and payable in the dollar equivalent of the amounts of the Borrower's currency determined as of the date of each disbursement thereunder, and (B) the applicable provisions of Sections 3.02, 3.03 and 4.01 or 4.02 (as the case may be) of, and Schedule 4 to, this Agreement, and (ii) in the case of Corporacion only, shall include the commitment of Corporacion to enter into a Restructuring Agreement with each of the commercial banks involved in the Restructuring on terms and conditions satisfactory to the Bank which, inter alia, shall provide for the relending to each such bank of the corresponding portion of the proceeds of the Loan allocated from time to time under Sub-Category (e) or (f) or (g), as the case may be, of Category (2) of the Table and relent to Corporacion under the applicable Subsidiary Loan Agreement, on the same terms and conditions applicable to Corporacion under such Subsidiary Loan Agreement

(c) The Borrower shall make the proceeds of the Loan Allocated from time to time under sub-Categories (a) of Categories (1) and (2) of the Table available to BPS as a grant under an Inter-administrative agreement to be entered into between the Borrower and BPS, on terms and

conditions which shall have been approved by the Bank and which shall detail the mechanisms for participation of BPS in Part A of the Project and the commitments of the Borrower, to be fulfilled through the Office, and of BPS that would enable the Borrower to carry out said Parts of the Project.

(d) The Borrower shall exercise its rights under each of the Subsidiary Loan Agreements and Inter-Administrative Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or of the Grant Agreement or any provision thereof.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement

(b) the Borrower shall through Corporacion ensure that all the consultants to be hired by each of the commercial banks involved in the Restructuring under Parts E (2), (3) or (4) of the Project, are hired not later than one hundred twenty days from the date in which the applicable CEO begins to discharge the functions provided for under the contract between such CEO and the applicable commercial bank entered into pursuant to the provisions of paragraph 5 (a) (ii) of Schedule 1 to the SAL Loan Agreement.

(c) The Borrower shall through Corporacion, ensure that the Coordinator is hired not later than sixty days from the date on which at least two CEOs have begun to discharge their functions as provided for under the corresponding contract between each CEO and the applicable commercial bank to be entered into pursuant to the provisions of the SAL Loan Agreement referred to in paragraph (b) of this Section.

Section 3.03. (a) Without in any way limiting the generality of Section 9.01 of the General Conditions, and with respect of each of the studies included in the Project, the Borrower and the Bank shall:

- (i) exchange views during the execution of each such study, at the request of each party, on the substantive aspects covered by the study in question; and
- (ii) upon presentation thereof to the Borrower, and subsequent transmittal to the Bank, discuss the findings and recommendations of each report submitted to the Borrower by the corresponding consultant or consultants the action planned to be taken by the Borrower on the basis of such recommendations, and the estimated timetable there for.

(b) The study included in Part G of the Project and discussions referred to in (ii) of paragraph (a) of this Section, shall be completed by July, 1991 and, promptly thereafter, the Borrower shall furnish to the Bank a plan of the action, if any, including a time table there for, intended to be taken in respect of the different matters covered in the studies in question.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower 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 the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, 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, 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 expenditure, 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 or cause to be retained, 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 4.02. (a) The Borrower shall cause Corporacion and, through Corporacion, each of the commercial banks involved in the Restructuring, to maintain, without limitation or restriction to the provisions of Section 4.01 of this Agreement, records and accounts adequate to reflect in accordance with sound accounting practices the respective operations and financial condition of Corporacion and each of such banks.

(b) The Borrower shall cause Corporacion, and through Corporacion each of the aforesaid banks to:

- (i) have their respective records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; and
- (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 copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.

ARTICLE V

Remedies of the Bank

Section 5.01 Pursuant to Section 6.0-2 (k) of the General Conditions, the following additional events are specified:

(a) Banco Central, Corporacion or BROU shall have failed to comply with any of their obligations under the respective Subsidiary Loan Agreement or BPS shall have failed to comply with any of its obligations under the Inter-Administrative Agreement;

(b) Corporacion or any of the commercial banks referred to in paragraph (b) (ii) of Section 3.01 of this Agreement shall have failed to comply with any of their respective obligations under the applicable Restructuring Agreement, or any Restructuring Agreement or any provision thereof shall have been assigned, amended, abrogated or waived, without the Bank's concurrence;

(c) the contract between each CEO and the corresponding bank with which a Restructuring Agreement has been entered into, to be executed and delivered pursuant to the provisions of the SAL Loan Agreement, shall have been terminated without the Bank's concurrence; and

(d) a situation has arisen which shall make it improbable that the Program, or a significant part thereof directly related to the execution of any of the parts of the Project, will be carried out.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that any of the events specified in paragraph (a) or paragraph (b) or paragraph (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Subsidiary Loan Agreement between the Borrower and Corporation has been executed and delivered.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions to be included in the opinion or opinions to be furnished to the Bank, namely, that the Subsidiary Loan Agreement referred to in Section 6.01 has been duly authorized or ratified by, and executed and delivered on behalf of, each of the Borrower and Corporation and is legally binding on the Borrower and Corporation in accordance with the terms thereof.

Section 6.03. The date of October 19, 1989 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 1089
Montevideo, Uruguay

Cable address:

Telex:

MINECON
Montevideo, Uruguay

6269 MINECON UY

with copy to:

Sr. Director-Oficina de Planeamiento y
Presupuesto Presidencia de la
Republica

Edificio Libertad
Montevideo, Uruguay

Cable address:

Telex:

DICOPRE

UY 22280 DICOPRE

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 440098 (ITT),
Washington, D.C. 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/ Carlos Steneri
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid S. 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) Goods for:

	(a) Part A of the Project	1,000,000)	
)	
foreign	(b) Parts B and C of the Project	300,000	)	100% of
			)	expenditures and
	(c) Part D of the Project	100,000	)	80% of local
			)	expenditures
	(d) Part F of the Project	600,000	)	50% of foreign
			)	expenditures
(2)	Consultants' services and training for:			
	(a) Part A of the Project	200,000)	
)	
of	(b) Parts B and C of the Project	275,000	)	80% of local
			)	expenditures
	(c) Parts D and G of the Project	480,000	)	for services
			)	consultants re-
	(d) Part E (1) of the Project		)	siding within
			)	the territory of
	(e) Part E of the Project	300,000	)	the
for			)	Borrower and
			)	other training
	(f) Part E (3) of the Project		)	expenditures
			)	100% of foreign
	(g) Part E (4) of the Project	300,000	)	expenditures
			)	services of
	(h) Part F of the Project	880,000	)	other
			)	consultants and
			)	other training
(3)	Unallocated	1,090,000		expenditures
	TOTAL	6,500,000		

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$700 000, may be made on account of payments made for expenditures before that date but after January 15, 1989;

and

(b) expenditures under the Parts of the Project listed below and the corresponding sub-Categories of Categories (1) and (2) of the Table also listed below, unless the Bank has been furnished with evidence satisfactory to the Bank that each of the agreements listed below, in respect of said Parts and sub-Categories has been entered into on terms and conditions satisfactory to the Bank; provided, however, that, where expressly indicated below, such evidence shall include a legal opinion from counsel acceptable to the Bank showing, on behalf of each of the parties to the agreement in question, that said agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the party in question and is legally binding upon said party in accordance with its terms:

- (i) under Part A of the Project and sub-Category (a) of Category (1) and sub-Category (a) of Category (2), the Inter-Administrative Agreement;
- (ii) under Parts D and G of the Project and sub-Category (c) of each of Category (1) and Category (2), Subsidiary Loan Agreement between the Borrower and Banco Central;
- (iii) under Part E (2) of the Project and sub-Category (e) of Category (2), a Restructuring Agreement between Corporacion and Banco Pan de Azucar and legal opinions;
- (iv) under Part E (3) of the Project and sub-Category (f) of Category (2), a Restructuring Agreement between Corporacion and Banco Comercial and legal opinions;
- (v) under Part E (4) of the Project and sub-Category (g) of Category (2), a Restructuring Agreement between Corporacion and Banco La Caja Obrera and legal opinions; and
- (vi) under Part F of the Project and sub-Categories (do and (h) of Category (1) and (2), respectively, a Subsidiary Loan Agreement between the Borrower and BROU.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen effective competition in domestic banking activities, to improve the regulatory framework of, and Banco Central's supervision over, said activities, and to attain further rationalization of the social security system, improvement of the public sector administration and more comprehensive public investment programming .

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: Social Security Finances Administration

1. Acquisition, installation and utilization by BPS of computer equipment and software for the establishment of modernized and tightened controls in revenue collections through, inter alia, in situ inspecting record cross-checking and verification of under payments or late payments.

2. Acquisition and utilization by BPS of consultant services for the design of the corresponding programs for purposes of 1 above.

Part B: Tax Administration

Acquisition and utilization of computer equipment and software to make further improvements in the automatization of processing and simplification of reporting for purposes of value added, consumption and net worth, and corporate taxes, upgrading of the Tax Bureau's supervision and auditing, and centralizing tax

Part C: Public Investment Programming

1. Strengthening of the Office so as to enhance further its capacity to analyze, program and monitor investments as well as its capacity to provide guidance to other public agencies in the preparation and evaluation of new investment projects. This Part of the Project will include the acquisition and utilization of computer equipment and software for the Office and the hiring of the services of experts that will be attached to the Offices; and a program of training fellowships and in-house seminars with the support of foreign instructors for Office staff.

2. Strengthening of the structure and procedures used by the Borrower's main implementing agencies to identify, prepare, select and follow-up on projects;

3. Improvements in budgetary procedures and their relationship to programming public investments over a multi-year period framework.

4. Analysis of the institutional framework and procedures for determining the level and composition of public investment in each sector, Monitoring projects under execution, and preparing of new projects

5. Development of performance contracts, or other performance evaluation systems for public sector enterprises, or both.

Part D: Supervision of Commercial Banks

1. Upgrading the skills of Banco Central's staff which will implement its superintendency functions, by increasing the number of inspections, and reviewing the auditing standards and the performance of external auditors, all with a view to meeting the new international standards adopted by the Banco Central.

2. For purposes of 1 above, the following activities will be undertaken: (a) training of Banco Central's supervision staff, as detailed in 3 below (b) reviewing the computerized reporting system to improve commercial banks' reporting and upgrade auditing procedures; (c) introduction of new computer models to evaluate commercial banks' financial position; and (d)

acquisition and utilization by Banco Central of microcomputers and peripherals, teachings aids and reference materials.

3. The training program for 2 (a) above will comprise: (a) a program of in-house seminars, with the support of foreign instructors, to train the new inspectors as well as upgrade the skills of those already on the job in such areas as risk assessment, solvency ratios and adequacy of net worth, portfolio analysis, provisioning, asset and liability management, foreign exchange risk management, and the main elements to pursue in computerized and in situ inspections; (b) improve the capabilities for evaluation of computerized reports and detecting reporting errors, and utilization of new computer models referred to in (2) (c) above; (c) participation of supervision personnel in courses and/or seminars conducted by other central banks or regulatory agencies; (d) acquisition and utilization of services of foreign specialists to participate as instructors in three seminars to be held annually in Banco Central to discuss selected subjects of Banco Central's bank superintendency functions; and (e) coordination with CND for training under Part E.1 (d).

Part E: Restructuring

Strengthening of the capabilities of the staff of Banco Central, Corporacion and Banco Pan de Azucar, Banco Comercial and Banco La Caja Obrera which will be involved in the Restructuring, in particular, in respect of (a) Restructuring coordination and supervision at the Government's level through Corporacion and Banco Central, (b) the design of Restructuring programs for each of the said banks by the corresponding CEO and advisory team to cover financial, managerial, operating and staffing improvements, and (c) the enhancement of the managerial and professional skills of the staff of the said banks, as required to enable the achievement of the objectives of the programs referred to in (b) above. The aforesaid will be attained by means of the activities listed in 1 through 4 below.

1. Acquisition and utilization of services of the Coordinator, and other consultants, as necessary, to enable Corporacion: (a) to coordinate all actions, particularly in respect of portfolio selection, classification and collection, and bank privatization, taken or to be taken by the CEOs; (b) to advise the CEOs and their teams on measures, including financial, legal, managerial and operational measures, within the Restructuring for preparing and implementing the rehabilitation and streamlining operations of the applicable bank of those mentioned below; (c) to provide independent diagnoses to the Office and Banco Central on the status of the Restructuring; and (d) to provide, in coordination with Banco Central, training to staff of the banks mentioned below, through seminars in the most critical areas of credit, asset risk assessment and liabilities management, foreign exchange risks, financial analysis, portfolio supervision and debt recovery and novel management practices.

2. Acquisition and utilization by Banco Pan de Azucar of the services of a CEO and of a team of qualified and experienced advisors that will support and make possible the CEO's performance under the corresponding contract with Banco Pan de Azucar, and training by said CEO and team, and through the participation in the seminars referred to in 1 above, of the staff of Banco Pan de Azucar in light of the requirements of its rehabilitation and privatization under the Restructuring.

3. Acquisition and utilization by Banco Comercial of the services of a CEO and of a team of qualified and experienced advisors that will support and make possible the CEO's performance under the corresponding contract with Banco Comercial, and training by said CEO and team, and through the participation in the seminars referred to in 1 above, of the staff of Banco Comercial in light of the requirements of its rehabilitation and privatization under the Restructuring.

4. Acquisition and utilization by Banco La Caja Obrera of the services of a CEO and of a team of qualified and experienced advisors that will support and make possible the CEO's performance under the corresponding contract with Banco La Caja Obrera, and training by said CEO and team, and through the participation in the seminars referred to in 1 above, of the staff of Banco La Caja Obrera in light of the requirements of its rehabilitation and privatization under the Restructuring.

Part F: Modernization of BROU

1. Development of a comprehensive and integrated management and financial information system by means of the following activities: (a) Definition of the scope of the information systems to be introduced, including: undertaking a requirements definition study for planning, budgeting, control and operations in all areas of BROU; identifying areas for improvements and information necessary for more effective functioning of BROU, and quantifying the expected benefits to be derived from their implementation and establishing priorities for action; and (b) implementation of the information system strategy including the acquisition and utilization of the computer equipment and software required there for and the following activities: (i) defining the major elements of application systems necessary for integrated operations; (ii) assessing the institutional capacity to absorb the new technology and distribution of data processing, and analysis capabilities, as required, and recommending a phased implementation program; (iii) recommending software packages which would support the information systems architecture, and, commensurate with the recommended software, defining the computing equipment, hardware and communication links required for timely and effective processing and dissemination of data; and (iv) reviewing BROU's data processing section and recommending new organization responsibilities.

2. Development of a training program through ad-hoc seminars, domestic and abroad, and acquisition and utilization of teaching aids, reference materials and other equipment, all to be coordinated by a training unit to be established in BROU and for purposes of: (a) upgrading BROU staff skills in overall bank management, lending operations and supervision thereof, planning and financial management, and liability management; (b) improving accounting and auditing standards; (c) upgrading the quality of management systems; and (d) introduction of recent developments and techniques in commercial banking.

Part G: A study on Uruguay's banking system

Execution of a study including the following aspects of the banking system 1 assessment of the Borrower's financial sector and of the future requirements thereof covering topics such as BROU's role and the need for a new institutional mechanism for the rescue and rehabilitation of private banks in distress; 2

assessment of the existing deposit insurance mechanism;
and 3 examining ways of covering the foreign exchange
risk currently faced by certain financial institutions.

* * *

The Project is expected to be completed by June
30, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)	Payment of Principal (Expressed in dollars)
On each February 1 and August 1 beginning February 1, 1995 through August 1, 2004	325,000

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	0.73

not more than eleven years before maturity	
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Uruguay may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto

Part C: Other Procurement Procedures

1. Contracts for computer equipment and software there for under Parts A, B, C, D and F (1) (b) of the Project may be awarded through limited international bidding procedures on the basis of the evaluation and comparison of bids invited from at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof.

2. Goods under Part F (2) (iii) of the Project, may be awarded to one or more reputable domestic suppliers eligible under the Guidelines on the basis of comparison of prices quoted by said supplier or suppliers, after having solicited price quotations from not less than three domestic suppliers including the supplier to whom the contract in question is awarded, all in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be

furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

Section II. Employment of Consultants

In order to assist the Borrower and the departments and agencies of the Borrower involved in the carrying out of the Project or any Part thereof, the Borrower shall employ and shall cause Banco Central, BROU, Corporacion (directly or through Banco Pan de Azucar, Banco Comercial or Banco La Caja Obrera, as the case may be under the corresponding Restructuring Agreement) or BPS, as the case may be, 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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means all sub-Categories of 1 and 2 of the Table;

(b) the term "Authorized Allocation" means an amount equivalent to \$1,400,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on

behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Category(ies), and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may

request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

