

LOAN NUMBER 9140-UY

Loan Agreement

(COVID-19 Response and Economic Recovery Emergency Development Policy Loan)

between

REPÚBLICA ORIENTAL DEL URUGUAY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPÚBLICA ORIENTAL DEL 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 of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. 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 four hundred million Dollars (\$400,000,000), as such amount may be converted from time to time through a Currency Conversion (“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. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are February 15 and August 15 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) without limitation upon paragraph (a) 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 the following, 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 the following, 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 Minister 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

Facsimile:
(598) 2 1712-2688

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	jschwartz3@worldbank.org

AGREED as of the Signature Date.

REPÚBLICA ORIENTAL DEL URUGUAY

By



Authorized Representative

Name: Azucena Arbeleche

Title: Ministra de Economía y Finanzas

Date: 15-Jan-2021

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Jordan Schwartz

Title: Director

Date: 10-Jan-2021

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program.

Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

A. **Mitigating the Economic and Social Impact of the COVID-19 Outbreak.**

1. The Borrower has adopted the following measures of a countercyclical nature to contain the impact of COVID-19: (a) creating a COVID-19 fund to cover sanitary, economic, and social needs and other consequences of the pandemic; (b) allowing the temporary entry or exit, free of all taxes, and subject to a simplified customs procedure, for assistance and rescue shipments of specific medical supplies needed for COVID-19 testing and treatment; (c) providing tax relief by deferring VAT payments for small companies; and (d) reducing the personal and employer contributions for micro-enterprises in retail and industry, as evidenced, respectively, by: (i) Law No. 19,874, promulgated on April 8, 2020, and published in the Official Gazette on April 16, 2020; (ii) MEF Resolution SN/020 promulgated on March 24, 2020 and published in the Official Gazette on March 27, 2020; (iii) DGI Resolution No. 550/2020 dated March 20, 2020 and published in the Official Gazette on March 23, 2020 ; and (iv) Law No. 19,872 promulgated on April 3, 2020 and published in the Official Gazette on April 16, 2020.
2. The Borrower has strengthened three social assistance programs to alleviate the impacts of the COVID-19 pandemic on the most vulnerable population, including: (a) the one-time doubling of monthly benefits paid through its “*Tarjeta Uruguay Social*” program that supports vulnerable families to buy basic goods; (b) the payment of an additional amount equivalent to fifty percent of the monthly benefit to participants of its “*Asignaciones Familiares-Plan de Equidad*” cash transfer program for children of socially vulnerable families; and (c) the introduction of a program of distribution of food baskets among poor households that do not receive other government transfers, as evidenced by: (i) Presidential Resolution No. DS/14 dated April 1, 2020; (ii) MEF Resolution No. 53/020 dated April 3, 2020; and (iii) Letter, dated May 11, 2020, from the Minister of MEF.
3. The Borrower has adopted emergency measures to protect workers by: (a) putting in place a temporary unemployment scheme that complements its existing one by providing salary replacement in case of partial suspensions; and (b) modifying the sickness benefits regulations to allow workers aged over sixty-five, to maintain their income while staying quarantined for up to thirty days, as evidenced, respectively, by (i) MTSS Resolutions No. 524/020, 525/020, and 539/020, dated March 18, 2020, March 20, 2020, and April 3, 2020, respectively, published in the Official Gazette on May 19, 2020 (the first two), and on May 20, 2020 (the third one); and (ii) Decree No. 109/020, promulgated on March 25, 2020 and published in the Official Gazette on April 2, 2020.

4. The Borrower has strengthened its institutional response to violence against women and children, particularly domestic and intimate violence, as evidenced by Decree No. 339/019 promulgated on November 11, 2019, and issued in the Official Gazette on November 27, 2019.
5. The Borrower has adopted emergency measures to support access to finance for MSMEs in the face of economic shocks due to COVID-19 by: (a) enhancing risk coverage through a new enhanced credit guarantee program (*SiGa Emergencia*) for affected small businesses; and (b) providing liquidity to firms by expanding ANDE's directed credit program for MSMEs that have been financially affected by COVID-19, as evidenced, respectively, by: (i) Minutes of the Meetings between CND, MEF, and ANDE No. 01-2020 dated April 6, 2020, and No. 02-2020 dated April 8, 2020 (*Actas de Sesión No. 01-2020 and 02-2020*), resolving to create *SiGa Emergencia* and subsequently to modify it to increase the percentage of coverage to 80%; and (ii) Minutes of ANDE's Board of Directors Meeting No. 10/2020, dated March 25, 2020.

B. Laying the Foundations for a Strong and Resilient Economic Recovery.

6. The Borrower has adopted measures to reduce its tax expenditures by reducing the discount of the VAT in transactions related to gambling, gastronomic services, catering services and car rental services, as evidenced by Decree No. 97/020, promulgated on March 11, 2020 and published in the Official Gazette on March 23, 2020.
7. The Borrower has adopted measures to improve its business environment by reducing the administrative complexity and costs of business registration, as evidenced by Law No. 19,820, promulgated on September 18, 2019 and published in the Official Gazette on September 27, 2019.
8. The Borrower has strengthened its institutional capacity to prepare for, and respond to emergency and disaster risk by: (a) issuing regulations for the functioning of the National Emergency System ("SINAE"); and (b) adopting a new national policy for comprehensive management of emergency and disaster risks in Uruguay for the period 2019-2030, as evidenced, respectively, by: (i) Decree 65/020 dated February 17, 2020 and published in the Official Gazette on March 4, 2020; and (ii) Decree 66/020 dated February 17, 2020, published in the Official Gazette on March 5, 2020.
9. The Borrower has adopted a national plan for adaptation to climate variability and climate change for the agriculture sector, as evidenced by MGAP Resolution No. 1723, dated November 22, 2019.

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 in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. 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	400,000,000
(2) Amount due pursuant to Section 4.05 (c) of the General Conditions	0
TOTAL AMOUNT	400,000,000

C. Withdrawal Tranche Release Conditions.

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 thirty (30) 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; (b) the details of the account to which the Uruguayan Pesos (UYU) equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is June 30, 2021.

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 Repayments¹

Principal Payment Date	Installment Share
On each February 15 and August 15 Beginning August 15, 2024 through February 15, 2032	6.25%

¹ The determination of the principal amounts of the Loan repayable on each Principal Payment Date is made in accordance with Section 3.03 of the General Conditions.

APPENDIX

Definitions

1. “ANDE” means *Agencia Nacional de Desarrollo*, the Borrower’s National Agency for Development.
2. “BCU” means *Banco Central del Uruguay*, the Borrower’s Central Bank.
3. “CND” means *Corporación Nacional para el Desarrollo*, the Borrower’s National Corporation for Development.
4. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
5. “DGI” means *Dirección General Impositiva*, the Borrower’s General Tax Directorate under MEF.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018.
7. “MEF” means *Ministerio de Economía y Finanzas*, the Borrower’s Ministry of Economy and Finance.
8. “MGAP” means *Ministerio de Ganadería, Agricultura y Pesca*, the Borrower’s Ministry of Livestock, Agriculture, and Fisheries.
9. “MIDES” means *Ministerio de Desarrollo Social*, the Borrower’s Ministry of Social Development.
10. “MSMEs” means micro, small and medium-size enterprise.
11. “MTSS” means *Ministerio de Trabajo y Seguridad Social*, the Borrower’s Ministry of Labor and Social Security.
12. “Official Gazette” means *Diario Oficial*, the Borrower’s Official Gazette.
13. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated June 1, 2020 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.
14. “SiGa” means *Sistema Nacional de Garantías*, the Borrower’s National System of Guarantees.

15. “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.
16. “SINAE” means *Sistema Nacional de Emergencia*, the Borrower’s National Emergency System established in 2009 by Law No. 18,621 of October 25, 2009.
17. “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.
18. “VAT” means the Borrower’s value added tax.