

CONFORMED COPY

LOAN NUMBER 7421-UR

Loan Agreement

**(Additional Financing for the
Foot and Mouth Disease Emergency Recovery Project)**

between

REPÚBLICA ORIENTAL DEL URUGUAY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 28, 2007

LOAN AGREEMENT

Agreement dated March 28, 2007, between REPÚBLICA ORIENTAL DEL URUGUAY (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan 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, on the terms and conditions set forth or referred to in this Agreement, the amount of six million five hundred thousand Dollars (\$6,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the Unwithdrawn Loan Balance; subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. In the event that the Borrower selects

not to capitalize the Front-end Fee, the Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.

- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III—PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MGAP and the PEU in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV—EFFECTIVENESS

- 4.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on June 19, 2008.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Minister of Economy and Finance.
- 5.02. The Borrower's Address is:

Ministro de Economía y Finanzas
Colonia 1089, Piso 3
Montevideo, Uruguay

With copy to:

Ministro de Ganadería, Agricultura y Pesca
Ministerio de Ganadería, Agricultura y Pesca
Constituyente 1476
CP11100
Montevideo, Uruguay

Cable:

MAP
Montevideo, Uruguay

Facsimile:

5982-915-4399

- 5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.

Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at the city of Montevideo, República Oriental del Uruguay, as of the day and year first above written.

REPÚBLICA ORIENTAL DEL URUGUAY

By /s/ Danilo Astori
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to contain and mitigate the impact of the outbreak of FMD in the Borrower's territory through: (i) vaccination of cattle; (ii) strengthening of the monitoring and surveillance capacity of the Borrower to prevent future outbreaks from spreading beyond the directly affected area; and (iii) identification of alternative markets for the beef produced in the Borrower's territory in the short-run and restoring the Borrower's presence in the premium beef market in the long-run; and (b) to prevent the introduction of other trans-boundary animal diseases of large economic importance.

The Project consists of the following parts included in the Original Project, as amended below solely for purposes of the Loan:

Part 1: Monitoring, Surveillance and Control Systems: Strengthening MGAP's monitoring, surveillance and control systems, through:

- (a) upgrading of existing laboratories to improve their capacity for diagnosis and sample testing;
- (b) strengthening of existing sanitary barriers;
- (c) scaling-up of the PTI by upgrading it into the SIRA; and
- (d) scaling up and full decentralization of the SNIG, to consolidate its operation at the national level and upgrade its capacity to manage the additional information that will result from the implementation of a universal tracking system, and to develop an operational link with the SISA.

Part 2: Training, Education and Awareness

- (a) Provision of training for veterinary professionals, working both in the public and private sector, in diagnosis of FMD, TSE, and avian flu;
- (b) organization of simulated outbreaks of FMD and avian flu to train staff and test the effectiveness of emergency plans drawn up by the Borrower, in coordination with the Borrower's Ministry of Public Health and poultry producers;
- (c) organization of various events to increase the awareness among producers of the risks of potential outbreaks of transboundary diseases and of key measures to be adopted in case of an actual outbreak, with special reference to FMD and avian flu;

(d) provision of training for MGAP staff, field operators of the SIRA and the SNIG and producers for the implementation and operation of the SIRA and the SNIG; and

(e) carrying out of a communication and information campaign on the merits of the SIRA and the new expanded SNIG.

Part 3: Project Coordination and Management: Support to the overall Project implementation, coordination and supervision, including, *inter alia*:

(a) financing of incremental operational and management costs; and

(b) financing of short-term consultants for studies and technical support.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. The Borrower shall carry out the Project in accordance with the Operational Manual.

B. The Borrower shall: (a) maintain until the completion of the Project, the PEU, with functions, responsibilities and staff acceptable to the Bank; and (b) furnish such PEU with all funds, facilities, services and other resources required for the coordination and management of the Project.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports

1. (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Performance Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

(b) Each Project Report shall also include: (i) the financial reports referred to in Section II.B.2 below; (ii) a physical progress report; and (iii) procurement reports, all in accordance with the formats agreed with the Bank.

B. Financial Management, Financial Reports and Audits.

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General.

1. Goods. All goods required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

4. Special Provisions. Without limitation to the provisions in Section III. A.1 and A.2 of this Schedule, the following additional provisions shall govern the procurement of goods, works and consultants' services under the Project (as the case may be).

(a) The lowest evaluated bid shall be selected for contract award.

(b) Foreign bidders shall be allowed to participate in national competitive bidding.

(c) Foreign bidders may be required as a prerequisite for bidding to be registered with local authorities, provided, however, that: (i) the registration shall not include a prequalification; and (ii) the information to be requested from such bidders is of such nature that it will not discourage their participation.

(d) There shall be no prescribed minimum number of bids to be submitted in order for a contract to be subsequently awarded.

(e) After the public opening of bids, information relating to the examination, clarification and evaluation of bids and proposals and recommendations concerning awards shall not be disclosed to bidders or consultants or other persons not officially concerned with this process until the publication of contract award (except as provided in paragraphs 2.20 and 2.27 of the Consultant Guidelines).

(f) Foreign bidders shall not be required to authenticate (*legalizar*) their bidding documents or any documentation related to such bidding documents with Uruguayan authorities as a prerequisite for bidding.

(g) There shall be no preference for domestic contractors.

(h) The prices of contracts for consultants' services over one year duration may be adjusted.

(i) Foreign consultants shall not be required to authenticate (*legalizar*) their proposals or any documentation related to such proposals with Uruguayan authorities as a prerequisite for participating in the selection procedure.

(j) The invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest, the evaluation reports of bids and proposals, and contract awards of all goods, works, and consultants' services, as the case may be, shall be published in a web page acceptable to the Bank, and in a manner acceptable to the Bank.

B. Particular Methods of Procurement of Goods

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Least Cost Selection
(b) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods or works procured on the basis of International Competitive Bidding or Direct Contracting; (b) the first three contracts for goods and works procured on the basis of National Competitive Bidding and the first three such contracts procured on the basis of Shopping; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; and (d) the first three contracts for consultants' services provided by a firm estimated to cost less than the equivalent of \$200,000. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General.

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of: (a) Article II of the General Conditions; (b) this Section; and (c) such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Goods (except as covered under Categories 3 and 4 below)	1,125,000	80% of expenditures incurred up to US\$600,000 and 50% thereafter
(2) Consultants' services (except as covered under Category 3 below)	4,275,000	80% of expenditures incurred up to US\$3,700,000 and 50% thereafter
(3) Training, Education Programs and Workshops	1,000,000	80% of expenditures incurred up to US\$700,000 and 50% thereafter
(4) Operating Expenditures	100,000	80% of expenditures incurred up to US\$70,000 and 50% thereafter
(5) Front-end Fee	0	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.08 (c) of this Agreement
TOTAL AMOUNT	6,500,000	

For purposes of this table:

(a) "Training, Education Programs and Workshops" means the reasonable cost of facilities and equipment rental, stationary, printed materials, media campaigns, travel and per diem of trainees and trainers, and training services; and

(b) "Operating Expenditures" means the reasonable cost of travel of the PEU personnel and office supplies and communications for the PEU.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made:

(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee, if the Borrower selects not to capitalize the Front-end Fee; and

(b) prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$300,000 equivalent may be made prior to this date but on or after January 1, 2007 for Eligible Expenditures.

2. The Closing Date is December 31, 2009.

SCHEDULE 3

Amortization Schedule

1. 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”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 Beginning April 15, 2012 through October 15, 2021	5%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any

amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

Unless the context otherwise requires, the several terms defined in the Original Loan Agreement and the General Conditions have the respective meaning therein set forth, and are hereby incorporated to this Agreement. Additionally, the following definitions also constitute an integral part of this Agreement:

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “FMD” means foot and mouth disease.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
5. “MGAP” means *Ministerio de Ganadería, Agricultura y Pesca*, the Borrower’s Ministry of Livestock, Agricultura and Fisheries, or any successor thereto.
6. “Operational Manual” means the manual referred to in Section 3.01 (b) of the Original Loan Agreement, as such manual may be amended from time to time with the prior written consent of the Bank.
7. “Original Loan Agreement” means the loan agreement for the Original Project between the Bank and the Borrower, dated August 8, 2001 (Loan No. 7070-UR), as amended on September 14, 2005.
8. “Original Project” means the Project described in Schedule 2 to the Original Loan Agreement.
9. “Performance Indicators” means the indicators for Project monitoring and evaluation, set forth in the Operational Manual.
10. “PEU” means the project executing unit established by the Borrower in accordance with the provisions of the Loan Agreement 3697-UR, entered into between the Bank and the Borrower on March 4, 1994, for the Natural Resources Management and Irrigation Development Project.
11. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

12. "Procurement Plan" means the Borrower's procurement plan for the Project, dated November 6, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. "PTI" means the Borrower's individual livestock traceability pilot program.
14. "SIRA" means the Borrower's animal identification and registration system.
15. "SISA" means the Borrower's national animal health information system.
16. "SNIG" means the Borrower's national livestock information system.
17. "TSE" means transmissible spongiform encephalopathies.