

No. 3450

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
URUGUAY**

**Guarantee Agreement—*Thermal Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Thermal Project*—between the Bank and the Administración General de las Usinas Eléctricas y los Teléfonos del Estado). Signed at Washington, on 29 August 1955**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 19 June 1956.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
URUGUAY**

**Contrat de garantie — *Projet relatif à l'énergie thermique* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projet relatif à l'énergie thermique* — entre la Banque et l'Administración General de las Usinas Eléctricas y los Teléfonos del Estado). Signé à Washington, le 29 août 1955**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 19 juin 1956.*

No. 3450. GUARANTEE AGREEMENT<sup>1</sup> (*THERMAL PROJECT*) BETWEEN THE ORIENTAL REPUBLIC OF URUGUAY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 29 AUGUST 1955

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AGREEMENT, dated August 29, 1955, between REPUBLICA ORIENTAL DEL URUGUAY (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Administración General de las Usinas Eléctricas y los Teléfonos del Estado (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to five million five hundred thousand dollars (\$5,500,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrower in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the payment of the principal, interest and other charges on such loan and the obligations of the Borrower in respect thereof;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated October 15, 1952<sup>3</sup> (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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<sup>1</sup> Came into force on 14 March 1956, upon notification by the Bank to the Government of the Republic of Uruguay.

<sup>2</sup> See p. 132 of this volume.

<sup>3</sup> See p. 132 of this volume.

## Article II

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* (a) Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

(b) The Guarantor will, to the extent necessary, give priority to sale in the local market from time to time of such amounts of bonds to be issued pursuant to Law No. 12023 of November 10, 1953, as may be needed to enable the Borrower to carry out the Project.

(c) Whenever funds may be needed by the Borrower to enable it to carry out the Project or to enable it to meet any of its other obligations, the Guarantor shall defer collection of principal, interest and other charges due from the Borrower to the Guarantor on loans made by the Guarantor to the Borrower or required to service indebtedness incurred on account of borrowing by the Guarantor for the Borrower. From time to time amounts due on account of any deferred payments shall be funded on a longterm basis or shall be capitalized.

## Article III

*Section 3.01.* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets or by way of priority in the allocation or realization of foreign exchange. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including Banco de la República Oriental del Uruguay, as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect. If the Guarantor, for constitutional reasons, shall be unable to make the foregoing undertaking effective with respect

to any lien on assets of an agency which is granted autonomy by the constitution (other than Banco de la República Oriental del Uruguay) or on assets of a political subdivision or agency of a political subdivision, the Guarantor shall grant to the Bank an equivalent lien satisfactory to the Bank. The foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (iv) any lien upon property in Uruguay or revenues or receipts in currency of the Guarantor, if such lien is given by a political subdivision or by an agency of a political subdivision of the Guarantor under arrangements or circumstances which would not result in priority in the allocation or realization of foreign exchange.

*Section 3.02.* (a) The Guarantor and the Bank shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

*Section 3.03.* The principal, of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, fees or other fiscal charges imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees or other fiscal charges upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Agreement, the Loan Agreement and the Bonds shall be free from any taxes, fees or other fiscal charges that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

#### *Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

República Oriental del Uruguay  
Ministerio de Hacienda  
Calle Colonia 1089  
Montevideo, Uruguay

or

República Oriental del Uruguay  
Embassy of Uruguay  
1773 Massachusetts Avenue, N. W.  
Washington 6, D. C.  
United States of America

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

*Section 5.02.* The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

República Oriental del Uruguay :

By José A. MORA

Authorized Representative

International Bank for Reconstruction and Development :

By R. L. GARNER

Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 OCTOBER 1952

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN  
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 172, p. 124.*]

### LOAN AGREEMENT (*THERMAL PROJECT*)

AGREEMENT, dated August 29, 1955, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and ADMINISTRACIÓN GENERAL DE LAS USINAS ELÉCTRICAS Y LOS TELÉFONOS DEL ESTADO (hereinafter called the Borrower).

#### *Article I*

#### LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated October 15, 1952<sup>1</sup> (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

<sup>1</sup> See above.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to five million five hundred thousand dollars (\$5,500,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

The date specified for the purposes of Section 2.02 of the Loan Regulations is 60 days after the date of this Agreement or the Effective Date, whichever shall be the earlier.

*Section 2.04.* The Borrower shall pay interest at the rate of four and three-fourths per cent ( $4\frac{3}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

*Article III*

## USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2<sup>2</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

*Section 3.02.* The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

<sup>1</sup> See p. 142 of this volume.

<sup>2</sup> See p. 144 of this volume.

*Article IV*

## BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The *Presidente* and the *Gerente Contable* of the Borrower and such person or persons as they shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall, if requested to do so, furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein.

(c) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the financial condition and operations of the Borrower.

*Section 5.02.* (a) The Bank and the Borrower shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

*Section 5.03.* If the Borrower shall propose to incur any debt, the Borrower shall inform the Bank of such proposal and, before the proposed action is taken, shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect thereto; provided, however, that the foregoing provisions shall not apply to: (a) the incurring of additional debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement,



of any unused amounts available under such credit; or (b) the incurring of debt maturing not more than eighteen months after the date on which it is originally incurred.

*Section 5.04.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date. For purposes of this Section, the term "assets of the Borrower" shall not be deemed to include bonds of the Guarantor owned by the Borrower and for the service of which the Borrower is liable.

*Section 5.05.* The Borrower shall pay or cause to be paid all taxes, fees and other fiscal charges, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of the principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees or other fiscal charges upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 5.06.* The Borrower shall pay or cause to be paid all taxes, fees and other fiscal charges, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

*Section 5.07.* Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

*Section 5.08.* (a) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, maintain and renew all rights, powers, privileges and franchises owned by it and necessary or useful in the operation of its business.

(b) The Borrower shall maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound

engineering standards, and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

(c) The Borrower shall not, without the prior consent of the Bank (i) sell or otherwise dispose of all or substantially all of its property and assets unless the Borrower shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of all of the Loan which shall be outstanding and unpaid; or (ii) sell or otherwise dispose of all or substantially all of the property included in the Project or any plant included therein unless the Borrower shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of a proportionate part of the Loan which shall then be outstanding and unpaid equal to the proportionate part of the Project so sold or disposed of. The Borrower may, however, without reference to the foregoing, sell or otherwise dispose of any property which shall have become old, worn-out, obsolete or unnecessary for use in its operations.

*Section 5.09.* The Borrower shall, whenever funds are needed to enable it to carry out the Project or to enable it to meet its other obligations, defer payment of principal, interest and other charges due to the Guarantor on loans made by the Guarantor to the Borrower or required to service indebtedness incurred on account of borrowing by the Guarantor for the Borrower. The Borrower shall from time to time make arrangements with the Guarantor whereby amounts due on account of any deferred payments shall be funded on a long-term basis or shall be capitalized.

#### *Article VI*

##### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

#### *Article VII*

##### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1957.

*Section 7.02.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Administración General de las Usinas Eléctricas y los Teléfonos del Estado  
Palacio de la Luz—Paraguay 2431  
Montevideo, Uruguay

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By R. L. GARNER  
Vice President

Administración General de las Usinas Eléctricas y los Teléfonos del Estado :

By José A. MORA  
Authorized Representative

## SCHEDULE 1

### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
November 1, 1957. . . . .	—	\$5,500,000	November 1, 1966. . . . .	153,000	3,228,000
May 1, 1958 . . . . .	\$103,000	5,397,000	May 1, 1967 . . . . .	156,000	3,072,000
November 1, 1958. . . . .	105,000	5,292,000	November 1, 1967. . . . .	160,000	2,912,000
May 1, 1959 . . . . .	108,000	5,184,000	May 1, 1968 . . . . .	164,000	2,748,000
November 1, 1959. . . . .	110,000	5,074,000	November 1, 1968. . . . .	168,000	2,580,000
May 1, 1960 . . . . .	113,000	4,961,000	May 1, 1969 . . . . .	172,000	2,408,000
November 1, 1960. . . . .	115,000	4,846,000	November 1, 1969. . . . .	176,000	2,232,000
May 1, 1961 . . . . .	118,000	4,728,000	May 1, 1970 . . . . .	180,000	2,052,000
November 1, 1961. . . . .	121,000	4,607,000	November 1, 1970. . . . .	184,000	1,868,000
May 1, 1962 . . . . .	124,000	4,483,000	May 1, 1971 . . . . .	189,000	1,679,000
November 1, 1962. . . . .	127,000	4,356,000	November 1, 1971. . . . .	193,000	1,486,000
May 1, 1963 . . . . .	130,000	4,226,000	May 1, 1972 . . . . .	198,000	1,288,000
November 1, 1963. . . . .	133,000	4,093,000	November 1, 1972. . . . .	202,000	1,086,000
May 1, 1964 . . . . .	136,000	3,957,000	May 1, 1973 . . . . .	207,000	879,000
November 1, 1964. . . . .	139,000	3,818,000	November 1, 1973. . . . .	212,000	667,000
May 1, 1965 . . . . .	142,000	3,676,000	May 1, 1974 . . . . .	217,000	450,000
November 1, 1965. . . . .	146,000	3,530,000	November 1, 1974. . . . .	222,000	228,000
May 1, 1966 . . . . .	149,000	3,381,000	May 1, 1975 . . . . .	228,000	—

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity . . . . .	½ of 1%
More than 5 years but not more than 10 years before maturity . . . . .	1%
More than 10 years but not more than 15 years before maturity . . . . .	1¾%
More than 15 years before maturity . . . . .	2½%

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The capacity of the José Batlle y Ordóñez Generating Station in Montevideo will be increased to 150,000 kw through :

(a) the installation (and interconnection with existing generating facilities in the station) of one 62,500 kva (50,000 kw at .8 power factor) three-phase, 50-cycle enclosed alternating current turbo-generator to operate at 3,000 r.p.m., with the necessary auxiliary equipment,

(b) the installation of one or more boilers with conventional auxiliary equipment, having a total rated capacity of 225,000 kg per hour at a pressure of 64 kg per square centimeter at a temperature of 482 degrees Centigrade,

(c) the installation of fuel handling equipment capable of preparing and delivering to the boilers either pulverized coal or fuel oil or both pulverized coal and fuel oil simultaneously, and of adequate ash handling equipment,

(d) the erection of the necessary structures to support and house the boiler equipment and auxiliaries,

(e) the installation of the equipment necessary to connect the plant to the existing 31.5 kv network of the Borrower. The equipment will be suitable for connection to a proposed high voltage collector ring.