

No. 11430

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

Guarantee Agreement—*Power Generation and Distribution Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the Administración General de las Usinas Eléctricas y los Teléfonos del Estado). Signed at Washington on 25 November 1970

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 16 December 1971.

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

Contrat de garantie — *Projet relatif à la production et à la distribution d'électricité* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et l'Administración General de las Usinas Eléctricas y los Teléfonos del Estado). Signé à Washington le 25 novembre 1970

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 16 décembre 1971.

GUARANTEE AGREEMENT¹

AGREEMENT, dated November 25, 1970, between REPÚBLICA ORIENTAL DEL URUGUAY (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith² between the Bank and Administración General de las Usinas Eléctricas y los Teléfonos del Estado (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to eighteen million dollars (\$18,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the modification thereof set forth in Section 1.01 of the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Guarantee Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

¹ Came into force on 18 June 1971, upon notification by the Bank to the Government of Uruguay.

² See p. 40 of this volume.

³ *Ibid.*

Article II

GUARANTEE; BONDS; PROVISION OF FUNDS

Section 2.01. Without limitation or restriction upon any of its other obligations under this Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The *Ministro de Economía y Finanzas* of the Guarantor and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Section 2.03. Without limitation or restriction upon the provisions of Section 2.01 of this Guarantee 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 the carrying out of 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.

Article III

OTHER COVENANTS

Section 3.01. (a) It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets or by way of priority in the allocation or realization of foreign exchange.

(b) To that end the Guarantor (i) represents that at the date of this Guarantee Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Guarantor to the Bank, and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, that in the creation of any such lien express provision will be made to that effect, and that the Guarantor will promptly inform the Bank of the creation of any such lien; provided, however, that if the Guarantor, for constitutional

reasons, shall be unable to make such undertaking effective with respect to any lien on assets of any agency which is granted autonomy by its Constitution (other than Banco Central del Uruguay or any other institution performing the functions of a central bank for the Guarantor) or on any other governmental assets, the Guarantor shall grant to the Bank an equivalent lien satisfactory to the Bank.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (iii) any lien upon property in Uruguay or revenues or receipts in currency of the Guarantor, if such lien is given by a political subdivision of the Guarantor or by an agency of such political subdivision under arrangements or circumstances which would not result in priority in the allocation or realization of foreign exchange.

As used in this Section, the term “ governmental assets ” means assets of the Guarantor, of any of its political subdivisions, of any agency of the Guarantor or of any such political subdivision, and assets of the Banco Central del Uruguay or any institution performing the functions of a central bank for the Guarantor.

Section 3.02. Except as the Bank shall otherwise agree, the Guarantor shall take all such action within its power as will be necessary or desirable to enable the Borrower to obtain, and shall not take any action which would prevent the Borrower from obtaining, from time to time, such adjustments in its rates for the sale of electricity as shall be necessary to yield an annual return on its electricity rate base as defined in the Electricity Rate Regulations (i) at a rate of not less than ten per cent (10%) until the Project shall have been completed and (ii) thereafter at such rate, within the limits prescribed by the Electricity Rate Regulations, as shall be required in order to enable the Borrower to finance out of internally generated funds a reasonable portion of the cost of future investments in power facilities, such rate to be determined from time to time after consultation among the Guarantor, the Bank and the Borrower.

Section 3.03. (a) Except as the Bank shall otherwise agree, the Guarantor shall take all such action within its power as will be necessary or desirable to enable the Borrower to obtain such adjustments in its telecommunication tariffs as will provide sufficient revenues to yield a rate of return on its telecommunication tariff base of not less than ten per cent (10%) per annum, such rate of return to be calculated in respect of each fiscal year by relating net income for that year to the telecommunication tariff base for that year.

(b) As used in this Section, the several terms defined in Section 5.04 (b) of

the Loan Agreement have the respective meanings therein set forth.

Section 3.04. Section 6 of Article III of the Guarantee Agreement dated August 25, 1950, between the Guarantor and the Bank is hereby deleted.

Article IV

CONSULTATION AND INFORMATION

Section 4.01. The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party : (i) exchange views through their representatives with regard to the performance of their respective obligations under this Guarantee Agreement, the Guarantor's policies concerning electricity rates and telecommunication tariffs and other matters relating to the purposes of the Loan; and (ii) 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, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

Section 4.02. (a) 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.

(b) 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.

Article V

TAXES AND RESTRICTIONS

Section 5.01. 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 imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of 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 5.02. This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes 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 5.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

Article VI

REPRESENTATIVE OF THE GUARANTOR; ADDRESSES

Section 6.01. The *Ministro de Economía y Finanzas* of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Guarantor :

República Oriental del Uruguay
Ministerio de Economía y Finanzas
Calle Colonia 1089
Montevideo, Uruguay

Cable address :

Mineconomía y Finanzas
Montevideo

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address :

Intbafrad
Washington, D.C.

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 H. LUISI

Authorized Representative

International Bank for Reconstruction and Development :

By SIMON ALDEWERELD

Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

LOAN AGREEMENT

AGREEMENT, dated November 25, 1970, 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

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Loan Agreement, 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) "Electricity Rate Regulations" means Decree No. 143 of the Borrower, dated March 20, 1970;

(b) "1950 Loan Agreement" means the Loan Agreement dated August 25, 1950,² between the Bank and the Borrower;

(c) "1955 Loan Agreement" means the Loan Agreement (Thermal Project) dated August 29, 1955,³ between the Bank and the Borrower;

¹ See above.

² United Nations, *Treaty Series*, vol. 156, p. 203.

³ *Ibid.*, vol. 243, p. 123.

(d) "1956 Loan Agreement" means the Loan Agreement (Baygorria Project) dated October 25, 1956,¹ between the Bank and the Borrower; and

(e) "Prior Loan Agreements" means the 1950 Loan Agreement, the 1955 Loan Agreement and the 1956 Loan Agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to eighteen million dollars (\$18,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Loan Agreement, as such Schedule shall be amended from time to time, 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 3 to this Loan Agreement and to be financed under this Loan Agreement and in respect of interest and other charges on the Loan; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of: (i) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories; and (ii) contracts for said goods or services having a value of less than the equivalent of five thousand dollars (\$5,000).

Section 2.03. The Closing Date shall be December 31, 1974 or such other date as shall be agreed between the Bank and the Borrower.

Section 2.04. 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 withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of seven and one-quarter per cent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 15 and August 15 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 2 to this Loan Agreement.

Section 2.08. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 2.09. The *Presidente* and the *Gerente General* of the Borrower and such other person or persons as they shall appoint in writing are designated as authorized

¹ United Nations, *Treaty Series*, vol. 265, p. 59.

representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

Section 3.02. (a) In order to assist the Borrower in the preparation of the design, plans, specifications and bidding documents for, and the supervision of the construction of, Part (a) of the Project and in the carrying out of the studies required for Part (c), Part (d) and Part (e) of the Project, the Borrower agrees to employ, unless the Bank shall otherwise agree, engineering, management and accounting consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank.

(b) Before December 31, 1971, the Borrower shall carry out studies, under terms of reference satisfactory to the Bank, of all such action as shall be necessary to carry out Part (c) of the Project. Upon completion of said studies, the Borrower shall consult with the Bank on the recommendations and conclusions relating thereto and shall implement programs satisfactory to the Bank designed to carry out such Part of the Project in the light of such recommendations and conclusions.

Section 3.03. In carrying out Part (a) and Part (b) of the Project, the Borrower shall employ contractors acceptable to the Bank, to an extent and upon terms and conditions satisfactory to the Bank.

Section 3.04. (a) Except as the Bank shall otherwise agree, (i) the goods and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Loan Agreement or as shall be agreed between the Bank and the Borrower, and (ii) contracts for the procurement of all goods and services to be financed out of the proceeds of the Loan shall be subject (except as otherwise provided in such Schedule) to the prior approval of the Bank.

(b) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(c) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.05. (a) The Borrower shall furnish to the Bank, upon their prepara-

tion, the designs, plans, specifications, contract documents and work schedules for the Project, and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) The Borrower shall : (i) maintain records adequate to record the progress of the Project (including the cost thereof), to identify the goods and services financed out of the proceeds of the Loan and to disclose the use thereof in the Project; (ii) enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Article IV

MANAGEMENT AND OPERATIONS OF THE BORROWER

Section 4.01. (a) The Borrower shall at all times carry on its operations, manage its affairs, maintain its financial position and plan the future expansion of its activities in accordance with sound business and public utility practices, and under the supervision of qualified and experienced management.

(b) To that end, whenever the Borrower shall propose to appoint a *Gerente General*, the Borrower shall, prior to any such appointment, notify the Bank of such proposal and give the Bank a reasonable opportunity to exchange views with the Borrower on such proposal.

Section 4.02. The Borrower shall operate and 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 take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 4.03. The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

Article V

FINANCIAL COVENANTS

Section 5.01. (a) The Borrower shall maintain records adequate to reflect its operations and financial condition, including the fixed asset accounts provided for in Section I of Article 4 of the *Electricity Rate Regulations* and similar fixed asset accounts acceptable to the Bank in respect of its telecommunication activities, in accordance with consistently maintained sound accounting practices.

(b) For the purpose of preparing its financial statements, the Borrower shall revalue : (i) its power assets in accordance with the procedures set forth in Section I of Article 4 of the *Electricity Rate Regulations*, and (ii) its telecommunication assets in accordance with similar procedures acceptable to the Bank.

Section 5.02. The Borrower shall : (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, starting with the 1970 fiscal year, audited in accordance with consistently applied sound auditing principles, by an independent accountant or accounting firm acceptable to the Bank, without affecting the legally required auditing by the Tribunal de Cuentas of the Guarantor; (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 (except that for the 1970 fiscal year this period shall be six months), (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by such accountant or accounting firm, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

Section 5.03. Except as the Bank shall otherwise agree, the Borrower shall from time to time take all steps which shall be necessary or desirable to obtain such adjustments in its rates for the sale of electricity as shall be necessary to yield an annual return on its electricity rate base as defined in the *Electricity Rate Regulations* (i) at a rate of not less than ten per cent (10%) until the Project shall have been completed and (ii) thereafter at such rate, within the limits prescribed by the *Electricity Rate Regulations*, as shall be required in order to enable the Borrower to finance out of internally generated funds a reasonable portion of the cost of future investments in power facilities, such rate to be determined from time to time after consultation among the Guarantor, the Bank and the Borrower.

Section 5.04. (a) Except as the Bank shall otherwise agree, the Borrower shall from time to time take all steps which shall be necessary or desirable to obtain such adjustments in its telecommunication tariffs as will provide sufficient revenues to yield a rate of return on its telecommunication tariff base of not less than ten per cent (10%) per annum, such rate of return to be calculated in respect of each fiscal year by relating net income for that year to the telecommunication tariff base for that year.

(b) For the purposes of this Section :

- (i) the term “ net income ” means all telecommunication operating revenues, excluding customer contributions and deposits, less all telecommunication operating expenses;
- (ii) the term “ telecommunication operating expenses ” includes : direct costs of operation, administration, overhead and adequate maintenance expenses; straight-line depreciation of assets based on their estimated useful life but in any case at an average rate of not less than 4.5%; and taxes and levies, if any; but does not include interest and other charges on debt; and
- (iii) the term “ telecommunication tariff base ” means the aggregate of : (1) the

gross value of telecommunication fixed assets in operation less the accumulated depreciation, as of June 30 of such fiscal year; (2) a provision for inventories; and (3) a provision for working capital; such assets to be valued and revalued according to methods, and such provisions for inventories and working capital to be, acceptable to the Bank.

Section 5.05. (a) It is the mutual intention of the Borrower and the Bank that no other debt shall enjoy any priority over the Loan or the Bonds by way of a lien on the assets of the Borrower.

(b) To that end, the Borrower (i) represents that at the date of this Loan Agreement no lien exists on any of the assets of the Borrower as security for any debt, and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it 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. The Borrower shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking 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; and (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in 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 5.06. Except as the Bank shall otherwise agree, the Borrower shall, until the Project shall have been completed : (i) retain all of its net income for use in financing the expansion of its power and telecommunication activities; (ii) continue to levy the contributions, deposits and other charges in respect of telephone services established by Resolution No. 70-1134 of its Board of Directors, dated April 14, 1970; and (iii) not change its electricity rates and the telecommunication tariffs from the levels in effect on July 1, 1970. As used in paragraph (i) of this Section, the term “ net income ” means all operating revenues (excluding customer contributions and deposits) less all operating expenses (including direct costs of operation, administration, overhead, adequate maintenance expenses, depreciation provision and taxes and levies, if any) and interest and other charges on debt.

Section 5.07. (a) During the period of construction of the Project, the Borrower shall, before undertaking any other major investment project, provide evidence satisfactory to the Bank that sufficient financing is available for such other project on terms and conditions which would not materially and adversely affect the Borrower's financial position.

(b) For the purposes of this Section : (i) a “ major investment project ” shall be a project involving expenditures on the part of the Borrower in excess of the equivalent of three per cent (3%) of its net income in the fiscal year immediately preceding the date of any contract relating to such project, or any other project involving lesser expenditures on its part if the aggregate amount of such lesser expenditures in any given year shall exceed the equivalent of twelve per cent (12%) of its net income in the fiscal year immediately preceding the date of any contract relating to such project; and (ii) “ net income ” shall have the same meaning as in Section 5.06 of this Loan Agreement.

Section 5.08. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless its net revenue for the fiscal year, or a later twelve-month period, immediately preceding the date of such incurrence, whichever is the greater, shall be not less than 1.5 times its maximum debt service requirement for any succeeding fiscal year on all of its debt, including the debt to be incurred.

(b) For the purposes of this Section :

- (i) the term “ debt ” means all debt except debt incurred in the ordinary course of business transactions and maturing by its terms on demand or less than one year after its incurrence;
- (ii) debt shall be deemed to be incurred on the date of execution and delivery of a loan contract or agreement providing for such debt or, in the case of a guarantee of debt, on the date of execution and delivery of the contract providing for such guarantee;
- (iii) the term “ net revenue ” means gross operating revenue excluding customer contributions and deposits, adjusted to take account of rates and tariffs in effect at the time of incurrence of debt even though such rates and tariffs were not in effect during the fiscal year or twelve-month period to which such revenue relates, less all operating expenses, including direct costs of operation, administration, overhead and adequate maintenance expenses, taxes and levies, if any, but before provision for depreciation and interest and other charges on debt;
- (iv) the term “ debt service requirement ” means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and
- (v) whenever it shall be necessary to value in the currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Borrower, at the time such valuation is made, for the purpose of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

Section 5.09. The Borrower shall make adequate provision, satisfactory to the Bank, for collecting the Borrower's overdue accounts receivable from the Guarantor and its agencies in respect of electricity and telecommunication services supplied to them by the Borrower, and for paying the Borrower's debt to the Guarantor and its agencies.

Section 5.10. Except in the ordinary course of business, the Borrower shall not, without the consent of the Bank, sell or otherwise dispose of any of the property or plant financed in whole or in part out of the proceeds of the Loan or necessary in its operations.

Article VI

CONSULTATION; INFORMATION AND INSPECTION

Section 6.01. The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purpose of the Loan.

Section 6.02. The Bank and the Borrower shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under this Loan Agreement.

Section 6.03. The Borrower shall enable the Bank's representatives to inspect all plants, sites, works, properties and equipment of the Borrower and any relevant records and documents.

Article VII

TAXES

Section 7.01. The Borrower shall pay or cause to be paid all taxes, 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 Loan Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of 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 7.02. The Borrower shall pay or cause to be paid all taxes, 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 Loan Agreement, the Guarantee Agreement or the Bonds.

¹ See p. 30 of this volume.

Article VIII

REMEDIES OF THE BANK; AMENDMENT OF PRIOR LOAN AGREEMENTS

Section 8.01. If any event specified in Section 7.01 of the General Conditions or in Section 8.02 of this Loan Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 8.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) The Electricity Rate Regulations shall have been materially amended, suspended, abrogated, repealed or waived so as to affect the operation of the Borrower adversely.
- (b) Resolution No. 69-3183 of August 29, 1969 (except for paragraph 1 thereof which is subject to the provisions of Section 4.01 (b) of this Loan Agreement), Resolution No. 69-3505 of October 2, 1969, Resolution No. 69-3566 of October 6, 1969, Resolution No. 69-3848 of October 28, 1969, and Resolution No. 70-1667 of May 19, 1970, all taken by the Borrower's Board of Directors, shall have been amended, suspended, abrogated, repealed, or waived, without the Bank's concurrence.

Section. 8.03. (a) For the purposes of the 1950 Loan Agreement, Section 5 of Article VII thereof is hereby amended to read as in Section 5.05 of this Loan Agreement, and paragraph (c) of Section 1 of Article VIII thereof is hereby deleted.

(b) For the purposes of the Prior Loan Agreements, Section 10 of Article VII of the 1950 Loan Agreement, Section 5.03 of the 1955 Loan Agreement and Section 5.03 of the 1956 Loan Agreement are hereby amended to read as in Section 5.08 of this Loan Agreement.

Article IX

TERMINATION

Section 9.01. The date March 25, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article X

ADDRESSES

Section 10.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address :

Intbafrad
Washington, D.C.

For the Borrower :

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

Cable address :

Lux
Montevideo

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 SIMON ALDEWERELD
Vice President

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

By H. LUISI
Authorized Representative

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 and the allocation of amounts of the Loan to each category :

| <i>Category</i> | <i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i> |
|--|--|
| I. Imported equipment and materials for Part (a) and Part (b) of the Project | 14,150,000 |
| II. Civil works and erection | 400,000 |
| III. Consultants' services | 600,000 |
| IV. Interest and other charges on the Loan accrued on or before August 14, 1973 | 1,500,000 |
| V. Unallocated | 1,350,000 |
| TOTAL | <u>18,000,000</u> |

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures in currency of the Guarantor, or for goods produced in, or services supplied from, the territories of the Guarantor;
- (b) expenditures prior to the date of this Loan Agreement; and
- (c) payments for taxes imposed under the laws of the Guarantor or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any of the Categories I through IV shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan; and
- (b) if the estimate of the expenditures under any of the Categories I through III shall increase, a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

SCHEDULE 2

AMORTIZATION SCHEDULE

| <i>Date Payment Due</i> | <i>Payment of Principal (expressed in dollars)*</i> | <i>Date Payment Due</i> | <i>Payment of Principal (expressed in dollars)*</i> |
|-----------------------------|---|-----------------------------|---|
| August 15, 1975 | 195,000 | February 15, 1986 | 415,000 |
| February 15, 1976 | 205,000 | August 15, 1986 | 430,000 |
| August 15, 1976 | 210,000 | February 15, 1987 | 450,000 |
| February 15, 1977 | 220,000 | August 15, 1987 | 465,000 |
| August 15, 1977 | 230,000 | February 15, 1988 | 480,000 |
| February 15, 1978 | 235,000 | August 15, 1988 | 500,000 |
| August 15, 1978 | 245,000 | February 15, 1989 | 515,000 |
| February 15, 1979 | 255,000 | August 15, 1989 | 535,000 |
| August 15, 1979 | 260,000 | February 15, 1990 | 555,000 |
| February 15, 1980 | 270,000 | August 15, 1990 | 575,000 |
| August 15, 1980 | 280,000 | February 15, 1991 | 595,000 |
| February 15, 1981 | 290,000 | August 15, 1991 | 615,000 |
| August 15, 1981 | 305,000 | February 15, 1992 | 640,000 |
| February 15, 1982 | 315,000 | August 15, 1992 | 660,000 |
| August 15, 1982 | 325,000 | February 15, 1993 | 685,000 |
| February 15, 1983 | 335,000 | August 15, 1993 | 710,000 |
| August 15, 1983 | 350,000 | February 15, 1994 | 735,000 |
| February 15, 1984 | 360,000 | August 15, 1994 | 765,000 |
| August 15, 1984 | 375,000 | February 15, 1995 | 800,000 |
| February 15, 1985 | 390,000 | August 15, 1995 | 825,000 |
| August 15, 1985 | 400,000 | | |

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

| <i>Time of Prepayment or Redemption</i> | <i>Premium</i> |
|---|----------------|
| Not more than three years before maturity | 4% |
| More than three years but not more than six years before maturity | 24% |
| More than six years but not more than eleven years before maturity | 3% |
| More than eleven years but not more than sixteen years before maturity | 44% |
| More than sixteen years but not more than twenty-one years before maturity | 54% |
| More than twenty-one years but not more than twenty-three years before maturity | 64% |
| More than twenty-three years before maturity | 74% |

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of :

- (a) installation of a sixth steam unit of about 100 MW at the Batlle plant in Montevideo;
- (b) installation of distribution equipment for the Montevideo system, including about 300 km of underground cable, about 3300 km of overhead line and about 450 MVA of transformers;
- (c) improvement of the Borrower's operating efficiency, organization and procedures;
- (d) reorganization of the Borrower's accounting system; and
- (e) elaboration of a long-range plan for its generating plant development.

The Project is expected to be completed by December 31, 1973.

SCHEDULE 4

PROCUREMENT

Contracts any part of which is to be financed out of the proceeds of the Loan (excepting contracts for consultants' services) shall be subject to the following supplementary procurement procedures :

1. With respect to goods included in Category I of the table set forth in paragraph 1 of Schedule 1 to this Loan Agreement, identical or similar items to be procured will be grouped together wherever practicable for the purposes of bidding and procurement, and such grouping of items will be submitted to the Bank for approval.

2. With respect to contracts for goods or services comprised in Categories I

and II of the aforesaid table having an estimated value equivalent to \$50,000 or more :

- (a) before bids are invited, the Borrower will send to the Bank for its concurrence the invitations to bid, specifications, proposed terms and conditions of contracts and other tender documents, together with a description of advertising procedures or the list of firms to be invited to bid;
- (b) after bids have been received and analyzed, the analyses of bids, the recommendations of the Borrower's consultants and its proposals for awards, together with the reasons for such proposals, will be sent by it to the Bank for its review and concurrence prior to making any award of contract or issuing any letter of intent;
- (c) if the final contract or letter of intent is to differ substantially from the terms and conditions contained in the respective documents approved by the Bank under the preceding provisions of this paragraph, the text of the proposed changes will be sent to the Bank for its review and concurrence prior to the execution of such contract or issuance of such letter of intent; and
- (d) one signed or certified copy of any letter of intent issued and of any contract executed under this paragraph will be sent to the Bank promptly upon its issuance or execution.

3. For contracts in respect of goods or services included in Categories I and II of the above-mentioned table having a value estimated to range between the equivalents of \$5,000 and \$50,000, the Borrower will forward to the Bank an invitation to bid, a bid evaluation report as well as one signed or certified copy of any such contract and any other material relevant thereto promptly after the execution of any such contract and prior to the sending to the Bank of the first application for withdrawal from the Loan Account in respect of such contract.
