

No. 12020

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

Loan Agreement—*Fourth Livestock Project* (with schedules and General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 26 April 1972

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 26 September 1972.

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

Contrat d'emprunt — *Quatrième projet relatif à l'élevage* (avec annexes et Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 26 avril 1972

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 26 septembre 1972.

LOAN AGREEMENT¹

AGREEMENT, dated April 26, 1972, between REPÚBLICA ORIENTAL DEL URUGUAY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01 The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof and to the amendment of Section 6.02 (*i*) thereof to read as follows: "Any event specified in paragraph (*e*) or (*f*) of Section 7.01 shall have occurred." (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 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*) "Banco Central" means the Banco Central del Uruguay.

(*b*) "Banco República" means the Banco de la República Oriental del Uruguay.

(*c*) "Technical Director" means the livestock specialist referred to in Section 3.01 (*b*) of this Loan Agreement.

(*d*) "Senior Agricultural Economist" means the agricultural economist referred to in Section 3.01 (*b*) of this Loan Agreement.

(*e*) "Comisión" means the "Comisión Honoraria del Plan Agropecuario", an agency of the Ministerio de Ganadería y Agricultura of the Borrower, created under Law No. 12394, of July 2, 1957, of the Borrower, as amended.

(*f*) "Participating Bank" means Banco República and such other bank or banks as shall have been selected by Banco Central, in agreement with

¹ Came into force on 13 June 1972, upon notification by the Bank to the Government of Uruguay.

² See p. 288 of this volume.

the Bank, to participate in the carrying out of Parts 1, 2, 3, 4 and 5 of the Project on the basis of their (i) past experience and performance in agricultural lending; (ii) financial condition; (iii) managerial capabilities; and (iv) branch network outside the city of Montevideo.

(g) “Subsidiary Loan Agreements” means the agreements to be entered, pursuant to Section 3.02 (c) of this Agreement, between Banco Central and each Participating Bank, and such term includes any amendments thereto made with the approval of the Bank.

(h) “ranch development plan” means a plan of investment to be carried out by a livestock rancher or farmer for improving ranch or farm facilities, infrastructure and pastures, and for expanding ranch livestock herds and/or increasing their productivity.

(i) “Livestock Fund” means the fund referred to in Section 3.02 (a) of this Loan Agreement.

(j) “ranch development loan” means a long-term loan made by a Participating Bank under a ranch development plan, for beef and sheep production, dairy beef production or pig production, all in accordance with the lending and operating policies and procedures set forth in Section I of Schedule 5 to this Agreement.

(k) “incremental working capital loan” means a medium-term loan made by a Participating Bank under a ranch development plan for the retention of heifers or for the financing of the incremental start-up feed costs of pigs, all in accordance with the lending and operating policies and procedures set forth in Section II of Schedule 5 to this Agreement.

(l) “1970 Agreement” means the loan agreement Third Livestock Project entered into between the Borrower and the Bank dated June 30, 1970.¹

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to eleven million two hundred thousand dollars (\$11,200,000).

¹ United Nations, *Treaty Series*, vol. 783, p. 107.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provision of Schedule to this 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 to this Agreement and to be financed under the Loan Agreement; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of 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.

Section 2.03. Except as the Bank shall otherwise agree, the goods (other than livestock) and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Loan, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.05. 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 2.06. 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 2.07. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. 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 2.10. The *Ministro de Economía y Finanzas*, the *Contador General de la Nación* and the *Gerente General del Banco Central* of the Borrower acting jointly and such other person or persons as they shall

appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out or shall cause the Comisión to carry out Parts 6 and 7 of the Project and shall cause Banco Central and the Participating Banks to carry out Parts 1, 2, 3, 4 and 5 of the Project, all with due diligence and efficiency and in conformity with sound administrative, financial and agricultural practices, and shall provide, and cause Banco Central and the Participating Banks to be provided with, promptly as needed, the funds, facilities, services and other resources required for such purpose.

(b) For the purpose of carrying out the Project, the Borrower shall employ to an extent and upon terms and conditions satisfactory to the Bank, including, *inter alia*, those set forth in Schedule 7 to this Agreement, a livestock specialist to be Technical Director of the Project, and a technical officer to be Senior Agricultural Economist for the Project, both acceptable to the Borrower and the Bank.

Section 3.02. Unless the Bank shall otherwise agree, the Borrower shall cause Banco Central:

- (a) to (i) maintain the Livestock Fund referred to in Section 5.02 of the 1970 Agreement, with authority to hold, manage and reinvest all funds made available for, or accruing to Banco Central from, the carrying out of the Project; and (ii) to keep within such Livestock Fund separate records and accounts for purposes of the Loan;
- (b) pursuant to the provisions of the preceding paragraph (a) but without limiting the generality thereof, to credit the Livestock Fund, immediately upon withdrawal from the Loan Account, with such amounts as the Borrower shall have withdrawn from time to time from the Loan Account; provided, however, that in respect of amounts so withdrawn on account of expenditures under Categories I, II, III, IV and V of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Loan Agreement, such credit shall be made in the currency of the Borrower;
- (c) to enter into a Subsidiary Loan Agreement with each of the Participating Banks on the terms and conditions set forth in Schedule 6 to this Agreement and on such other terms and conditions as shall be satisfactory to the Bank, for the purpose of lending to such Participating Banks,

- out of the Livestock Fund, such amounts as shall have been credited to the Livestock Fund in the currency of the Borrower pursuant to the preceding paragraph (b);
- (d) to cause the Participating Banks to provide, out of their own resources, seasonal financing to ranchers and farmers who obtain loans under Parts 1 and 2 of the Project, in such amounts and for such periods as shall be required under the respective ranch development plans, and on such other terms and conditions as shall be satisfactory to the Bank;
 - (e) to exercise its rights in relation to each Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and not to take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of any Subsidiary Loan Agreement;
 - (f) to take all such action as shall be necessary from time to time to ensure that:
 - (i) loans under Parts 1 and 2 of the Project are made in accordance with such lending and operating policies and procedures as are set forth respectively for such loans in Sections I and II of Schedule 5 to this Loan Agreement;
 - (ii) loans under Part 3 of the Project are made: (1) in accordance with such semi-annual import plans as shall have been prepared by the Comisión and accepted by the Bank; (2) for terms not exceeding one hundred and eighty days; (3) at an annual interest rate of eleven and three-fourths per cent ($11\frac{3}{4}\%$); (4) under conditions requiring importers to have at all times sufficient stocks of rock phosphate, fertilizer and pasture seeds as shall be required by ranchers participating in Part 1 of the Project and to give such ranchers preference in the acquisition of such goods through normal trading channels; and (5) upon such other terms and conditions as shall be agreed from time to time between the Bank, the Comisión and Banco Central;
 - (iii) loans under Part 4 of the Project are made: (1) in amounts equal to about seventy per cent (70%) of each contractor's investment; (2) for terms of no less than 5 years and no more than 7 years, with a grace period of no less than 1 year; (3) at an annual rate of interest of 11%; (4) in accordance with investment plans approved by the Comisión; (5) after the Bank's approval in the case of loans for the equivalent of \$25,000 or more; and (6) subject to adjustment in the manner specified in Section I.C.2 of Schedule 5;

- (iv) loans under Part 5 of the Project are made: (1) for terms of no more than 10 years; (2) at an annual rate of interest of 11%; (3) in accordance with detailed technical and financial plans approved by the Comisión and the Bank; and (4) subject to adjustment in the manner specified in Section I.C.2 of Schedule 5; and
- (g) to establish and maintain in the Livestock Fund separate accounts in respect of (i) amounts made available to each Participating Bank under each one of Parts 1, 2, 4 and 5 of the Project; and (ii) any other amounts disbursed by the Livestock Fund for the purpose of carrying out Parts 6 and 7 of the Project.

Section 3.03. The Borrower shall cause Banco República to maintain the separate section referred to in Section 5.03 of the 1970 Agreement, under the direction of a full-time manager, and to entrust such section with the carrying out of Banco República's obligations under its Subsidiary Loan Agreement with Banco Central.

Section 3.04. (a) The Borrower shall establish and maintain such policies and shall adopt such measures consistent therewith as shall from time to time be necessary to afford efficient livestock producers doing business within the territories of the Borrower a reasonable opportunity to obtain a financial rate of return of at least fifteen per cent (15%) per annum on their "productive livestock investments", under normal conditions of production.

(b) As used in this Section, "productive livestock investment" means any investment made or to be made after the date of this Loan Agreement that would qualify for inclusion in a ranch development plan and for approval by the Comisión, had such investment been proposed for financing under a ranch development plan.

Section 3.05. The Borrower shall (i) ensure the availability to ranchers of an adequate supply of officially tested foot-and-mouth vaccines; and (ii) take all necessary action to ensure that all livestock belonging to ranchers participating in the Project is periodically vaccinated against foot-and-mouth disease in accordance with the technical standards recommended by the Borrower's official veterinary service.

Section 3.06. (a) The Borrower shall inform the Bank of any proposed action to amend, waive or abrogate any provision of Law No. 12394 or Article 462 of Law No. 13892 of the Borrower and shall afford the Bank a reasonable opportunity, in advance of the taking of such action, to exchange views with the Borrower with respect thereto.

(b) The *Reglamento Interno* of the Comisión, approved by the Decree of the Borrower dated January 30, 1958, shall be modified only by mutual agreement between the Borrower and the Bank.

Section 3.07. (a) The Borrower undertakes to insure or cause to be insured, or make other adequate provision for the insurance of, the goods to be financed out of the proceeds of the Loan or out of the proceeds of loans made under Parts 1, 2, 3, 4 and 5 of the Project against 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.

(b) 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 3.08. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) Without limitation to the preceding subsection, the Borrower shall furnish to the Bank for its approval, promptly upon their preparation but not later than six months after the date of this Agreement, the detailed plans, contracts and schedules in respect of the carrying out of Parts 6 and 7 of the Project.

(c) The Borrower: (i) shall maintain or cause to be maintained records adequate to reflect the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan and out of the proceeds of loans made under Parts 1, 2, 3, 4 and 5 of the Project, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and out of the proceeds of loans made under Parts 1, 2, 3, 4 and 5 of the Project and any relevant records and documents; and (iii) shall 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 and out of the proceeds of loans made under Parts 1, 2, 3, 4 and 5 of the Project.

Section 3.09. The Borrower shall take all such action as shall be necessary to provide, as and when required, all such funds as shall be necessary to cover the operating and administrative costs of the Comisión.

Section 3.10. The Borrower shall compensate or shall cause the Participating Banks to be compensated for any loss of income incurred on loans that are not fully adjusted, under the provisions of Section I.C.3 of Schedule 5 to this Agreement, by making payments to them equivalent to the difference between the amortization and interest payments the Par-

icipating Banks shall receive on the portion of such loans financed with their own resources and the amortization and interest payments they would have received on such portion had such loans been fully adjusted.

Article IV

OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower 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 Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower 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 and in the creation of any such lien express provision will be made to that effect and the Borrower shall promptly inform the Bank of the creation of any such lien. If the Borrower, for constitutional reasons, shall be unable to make the foregoing undertaking effective, the Borrower 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; and (iii) any lien upon property in Uruguay or revenues or receipts in currency of the Borrower, if such lien is given by a political subdivision of the Borrower 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.

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

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, administration and financial condition, in respect of the Project, of Banco Central, the Participating Banks, the Livestock Fund, the Comisión and of any department or agency of the Borrower responsible for carrying out the Project or any part thereof or for the maintenance of all works, facilities and equipment related thereto.

(b) The Borrower shall take or cause to be taken all such action as shall be necessary to: (i) ensure that the accounts referred to in Section 3.02 (g) of this Agreement and the accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year of the Livestock Fund, Comisión and, in respect of the Project, the Participating Banks, be audited, in accordance with sound auditing principles consistently applied, by the Tribunal de Cuentas of the Borrower or by independent auditors acceptable to the Bank; (ii) furnish or cause to be furnished to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of such financial statements for such year as so audited and (B) the report of such audit by said Tribunal de Cuentas or auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish or cause to be furnished to the Bank such other information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. The Borrower shall prepare a plan providing for the gradual phasing out of subsidies on phosphate fertilizers once twenty per cent (20%) of the total pasture area of the Borrower's territories shall have been improved, and shall consult with the Bank on this plan not later than June 1, 1973; the total pasture area of the Borrower being understood to be 15 million hectares for the purposes of this Section.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the performance by Banco Central, the Participating Banks, the Livestock

Fund, the Comisión and the Technical Director of their respective obligations under this Loan Agreement and the Subsidiary Loan Agreements, the administration, operations and financial condition of Banco Central, the Participating Banks, the Livestock Fund, the Comisión and of any department or agency of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance of all works, facilities and equipment related thereto, and other matters relating to the purposes of the Loan; and

- (b) 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations and financial condition of the Comisión and the Livestock Fund, and, in respect of the Project, of Banco Central and the Participating Banks, and of any department or agency of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of all works, facilities and equipment related thereto, and any other matters relating to the purposes of the Loan, the maintenance of the service thereof and the general status of the Loan.

(b) The Borrower and the Bank 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 their obligations under this Loan Agreement, or by Banco Central, the Participating Banks, the livestock Fund, the Comisión or the Technical Director of their respective obligations under this Loan Agreement and the Subsidiary Loan Agreements.

Section 5.03. The Borrower shall afford or cause to be afforded all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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 Borrower 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 Borrower.

Section 6.02. The Loan Agreement, any instrument made pursuant to Section 4.01 of this Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 6.03. 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 and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this 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 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 the Loan Agreement or in the Bonds notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified, namely: an extraordinary situation shall have arisen which shall make it improbable that any Participating Bank will be able to perform its obligations under a Subsidiary Loan Agreement.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) Any Participating Bank shall have failed to perform any of its obligations under a Subsidiary Loan Agreement, and such event shall

continue for a period of sixty days after notice thereof shall have been given to the Borrower by the Bank.

- (b) Any provision of any Subsidiary Loan Agreement shall have been amended, terminated, assigned or waived, or Banco Central shall have failed to enforce any provision of any Subsidiary Loan Agreement, without the prior agreement of the Bank.
- (c) Any of the Participating Banks shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by any of the Participating Banks or by others whereby any of the property of any of the Participating Banks shall or may be distributed among its creditors.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Participating Banks or for the suspension of its operations.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions, namely: that Banco Central shall have entered into a Subsidiary Loan Agreement with at least one Participating Bank.

Section 8.02. The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely: that the Subsidiary Loan Agreement or Agreements entered into by Banco Central for the purposes of Section 8.01 of this Loan Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and constitute valid and binding obligations of such parties in accordance with its or their terms.

Section 8.03. The date July 25, 1972, is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Comisión, acting on behalf of the Borrower, is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Ministerio de Economía y Finanzas
Colonia 1089
Montevideo, Uruguay

Alternative address for cables:

Mineconomía y Finanzas
Montevideo

With copies to:

Comisión Honoraria del Plan Agropecuario
Ciudadela 1471
Montevideo, Uruguay

Alternative address for cables:

Malplanagro
Montevideo

For the Bank:

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

Alternative address for cables:

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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.

República Oriental del Uruguay:

By H. LUISI
Authorized Representative

International Bank for Reconstruction and Development:

By SIMON ALDEWERELD
Vice President

SCHEDULE I

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of eligible expenditures so to be financed in each category:

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Ranch Development loans made by Participating Banks	6,700,000	46% of Participating Banks' disbursements
II. Incremental Working Capital loans made by Participating Banks	700,000	37% of Participating Banks' disbursements
III. Rock phosphate, fertilizer and pasture seeds	2,900,000	100% of foreign expenditures
IV. Contractors' machinery and equipment	120,000	100% of foreign expenditures
V. Seed producing, cleaning and processing equipment	110,000	100% of foreign expenditures
VI. Technical and Consultants' services and vehicles and equipment related thereto	110,000	100% of foreign expenditures
VII. Training abroad for local technicians	110,000	100% of foreign expenditures
VIII. Unallocated	450,000	
	TOTAL	
	<u>11,200,000</u>	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any country other than the Borrower.

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

- (a) expenditures prior to the date of this Agreement, and
- (b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, pro-

curement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. 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 Category 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;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and 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; and
- (c) if the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth in Section 2.03 of the Loan Agreement, no expenditures for such item shall be financed out of the proceeds of the loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the loan as in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the loan.

5. Applications for withdrawal of the proceeds of the loan under Categories I, II, III, IV and V of the table set forth in paragraph 1 of this Schedule shall be certified by Banco Central, and Comisión, and in the case of Categories I and II also by the respective Participating Bank.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the fourth stage of a livestock development program of the Borrower and consists of the following Parts:

1. The making of ranch development loans to about 3,600 ranchers and farmers.
2. The making of incremental working capital loans to ranchers and farmers.
3. The making of loans to importers of rock phosphate, fertilizer and pasture seeds.

4. The making of loans to contractors for machinery and equipment required to carry out ranch development plans.
5. The making of loans to farmers and processors for special types of pasture seed producing, harvesting, cleaning, processing and certifying machinery and equipment.
6. The provision of technical services and related goods for (i) the continued introduction of new technology in livestock production (including pigs and dairy beef), pasture production and management, demonstration of related pasture and forage techniques, improvement of meat and dairy processing and related marketing, and up-to-date hygiene techniques; (ii) the local training of livestock, meat processing, and banking and credit technicians under programs to be agreed from time to time between the Borrower and the Bank; and (iii) preinvestment studies in the agricultural sector.
7. The provision of overseas training for livestock, meat processing, and banking and credit technicians, at such places and under such programs as shall be agreed from time to time between the Borrower and the Bank.

SCHEDULE 3

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>
October 15, 1976	390,000	October 15, 1981	560,000
April 15, 1977	405,000	April 15, 1982	580,000
October 15, 1977	420,000	October 15, 1982	600,000
April 15, 1978	435,000	April 15, 1983	620,000
October 15, 1978	450,000	October 15, 1983	645,000
April 15, 1979	465,000	April 15, 1984	665,000
October 15, 1979	485,000	October 15, 1984	690,000
April 15, 1980	500,000	April 15, 1985	715,000
October 15, 1980	520,000	October 15, 1985	740,000
April 15, 1981	540,000	April 15, 1986	775,000

* 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	1 1/4%
More than three years but not more than six years before maturity	2 1/2%
More than six years but not more than ten years before maturity	4%
More than ten years but not more than twelve years before maturity	6%
More than twelve years before maturity	7 1/4%

SCHEDULE 4

PROCUREMENT

1. With respect to any contract for pasture seeds, fertilizer, rock phosphate, vehicles, machinery or equipment estimated to cost the equivalent of \$25,000 or more:

(a) If bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Bank in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Bank for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Bank shall reasonably request.

(b) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Loan Agreement, and shall state the reasons for any objections it may have.

(d) If the contract shall be awarded over the Bank's reasonable objection, or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Loan pursuant to paragraph 4 (c) of Schedule 1 to the Loan Agreement.

(e) Two copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

2. In respect of rock phosphate for local grinding and direct application (i) bidding shall be restricted to sources agronomically tested under Uruguayan conditions at the time of bidding; and (ii) the Guidelines referred to in Section 2.03 of the Loan Agreement and the provisions of paragraph 1 herein shall otherwise apply.

3. In respect of fencing and handling yard materials, farm machinery, water pumps and piping and building materials required for the ranch development plans, procurement shall be restricted to suppliers with efficient servicing facilities and sufficient spare parts stocks located and available within the territories of the Borrower.

4. For the purpose of evaluating bids for machinery or equipment and associated services required to carry out the Project, bid prices shall be determined and compared in accordance with the following rules:

- (a) the term "Local Bid" means a bid submitted by a manufacturer established in the territories of the Borrower for goods manufactured or processed to a substantial extent (as reasonably determined by the Bank) in such territories; any other bid shall be deemed to be a "Foreign Bid";
- (b) the bid price under a Local Bid shall be the sum of the following amounts:
 - (i) the ex-factory price of such goods; and
 - (ii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation;
- (c) for the purpose of comparing any Foreign Bid with any Local Bid, the bid price under a Foreign Bid shall be the sum of the following amounts:
 - (i) the c.i.f. (Montevideo) price of such goods;
 - (ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be the lower; and
 - (iii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

5. With respect to any contract for pasture seeds, fertilizer, rock phosphate, vehicles, machinery or equipment estimated to cost the equivalent of less than \$25,000, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract, two conformed copies of such contract. The Bank shall promptly inform the Borrower if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or

with the Loan Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Loan pursuant to paragraph 4 (c) of Schedule 1 to the Loan Agreement.

SCHEDULE 5

LENDING AND OPERATING POLICIES AND PROCEDURES OF THE PARTICIPATING BANKS IN RESPECT OF PARTS I AND 2 OF THE PROJECT

I. *Ranch Development Loans*

A. *Purpose*

Participating Banks shall make ranch development loans to eligible borrowers exclusively for the purpose of assisting in the financing of eligible expenditures included in a ranch development plan.

B. *Eligibility*

1. In order to qualify for the granting of a ranch development loan, each applicant shall show to the satisfaction of the Participating Bank that he meets all creditworthiness criteria as shall be reasonably established from time to time by the Participating Bank.

2. In order to qualify for the inclusion of the purchase of heifers in a ranch development loan, the following conditions shall be required of the applicant: (i) unless the Bank shall otherwise agree, the ranch must have at least 20% of the pasture area improved; (ii) the rancher must qualify as a practitioner of good herd and pasture management; (iii) the heifers purchased shall be specifically identified by the Comisión staff; and (iv) the rancher shall undertake to retain the maximum possible number of breeding heifers from the biological increase in his own herd.

C. *Terms and Conditions*

1. The amount of ranch development loans shall not exceed eighty per cent (80%) of the estimated cost of the investments to be financed therewith.

2. Ranch development loans shall be denominated and repayable in the currency of the Borrower; provided, however, that the outstanding principal amount of each ranch development loan shall be adjusted by the Participating Banks, not later than April 30 in each year, in accordance with such procedures as shall have been in effect on the date of the respective ranch development loan agreement, which shall be so provided therein; such procedures to be agreed from time to time between Banco Central and the Bank, to be in accordance with the provisions of Article 316 of Law No. 13835 of the Borrower, dated January 7, 1970, and to be based on (i) the average increase in the beef and wool ranch-gate price index for the 12-month period ended on the preceding October 31 furnished by

Banco Central to the Participating Banks prior to March 31 in every year, but only to an extent not exceeding the amount that would have resulted from effecting the said adjustment on the basis of the increase in the cost of living price index (*Indice de Precios de Consumo*) of the Ministerio de Economía y Finanzas for the same 12-month period or (ii) such other basis as shall be agreed from time to time by Banco Central and the Bank.

3. Notwithstanding the provisions of the preceding Section I.C.2 of this Schedule, and unless the Bank shall otherwise agree, ranch development loans made to ranchers or farmers working holdings covering in the aggregate less than 400 hectares shall be adjusted by only 50% of the increase in the applicable index.

4. The adjusted outstanding principal amount of each ranch development loan shall: (a) be repaid in not less than 7 years (except in cases where the borrower should desire to pre-pay) but not more than 10 years, in such installments as shall be commensurate with the Borrower's estimated net income arising from his ranch development plan, including a period of grace of not less than 2 years but not more than 4 years, provided, however, that if the ranch development plan to be financed involves an area in excess of ten per cent (10%) of the total area of the ranch, such period of grace shall be not less than 3 years; (b) bear interest at the rate of eleven per cent (11%) per annum; and (c) not be subject to any commissions, fees, or charges whatsoever imposed by the Participating Banks.

5. The standard ranch development loan agreements between the ranchers or farmers and the Participating Banks shall include such other terms and conditions as shall be satisfactory to the Bank, including, *inter alia* the obligation of the borrower to keep records of the progress and cost of his ranch development plan, good husbandry and residence covenants on the part of the borrower, disclosure and information covenants (according to Part E of this Schedule) on the part of the Participating Bank and adequate rights for supervision, suspension of disbursements and foreclosure and other enforcement of security in favor of the Participating Bank.

D. Approvals

1. The Participating Banks shall not grant any ranch development loans unless the ranch development plan for the ranch or farm that such loan is intended to assist has been approved by the Comisión.

2. Whenever the amount of any ranch development loan or loans made or proposed to be made by one or more Participating Banks to any single rancher or farmer shall be, in the aggregate, in excess of the equivalent of \$ 100,000, the Participating Banks shall also obtain, through the Comisión, the prior approval in writing of the Bank.

E. Records

The Participating Banks shall furnish periodic statements to each borrower, showing the amounts drawn on the borrower's ranch development loan account,

including interest, payments made and the outstanding adjusted balance of the respective ranch development loan.

F. *Supervision*

1. The Participating Banks shall ensure that amounts drawn on ranch development loan accounts are applied exclusively to expenditures on the ranch development plan that such ranch development loan is intended to assist in financing.

2. The staff of the Participating Banks, or the staff serving the Comisión on their behalf, shall regularly visit the ranches where ranch development plans financed with ranch development loans are being carried out to ensure that borrowers are effectively and punctually carrying out such plans and complying with the provisions of their respective ranch development loan agreements with the Participating Banks.

3. Unless the Bank shall otherwise agree, at least 20% of the borrowers of ranch development loans shall be required by August 30, 1973 to keep farm management and financial records under the direction of the Senior Agricultural Economist and to make such records available for inspection by representatives of the Bank.

II. *Incremental Working Capital Loans*

A. *Purpose*

Participating Banks shall make incremental working capital loans to eligible borrowers exclusively for the purpose of assisting in the financing of eligible expenditures included in a ranch development plan.

B. *Eligibility*

1. Incremental working capital loans shall be made only to borrowers who have qualified for ranch development loans.

2. In order to qualify for an incremental working capital loan an applicant shall (i) fulfill the conditions set forth in Section I.B.2 of this Schedule and (ii) have a need for such financing as demonstrated in the farm budget approved by the Comisión.

C. *Terms and Conditions*

1. Incremental working capital loans shall be made for 100 per cent (100%) of the approved amounts for heifer retention and start-up pig feed costs.

2. The outstanding principal amount of each incremental working capital loan shall (a) be adjusted according to the procedures set forth in Sections I.C.2 and I.C.3 of this Schedule; (b) bear interest at the rate of eleven per cent (11%) per annum; and (c) not be subject to any commissions, fees, or changes whatsoever imposed by the Participating Banks.

3. The adjusted outstanding principal amount of each incremental working capital loan shall be repaid in not less than 3 years (except in cases where the

borrower should desire to pre-pay) but not more than 7 years, in such installments as shall be commensurate with the farm budget approved by the Comisión, including grace period of not less than one year but not more than 3 years.

4. The standard incremental working capital loan agreements between the ranchers or farmers and the Participating Banks shall include such other terms and conditions as shall be satisfactory to the Bank.

D. *Approvals*

1. Each loan for heifer retention shall be approved by the Technical Director and the Comisión.

E. *Records*

The Participating Banks shall furnish periodic statements to each borrower showing the amounts drawn on the borrower's incremental working capital loan account, including interest, payments made and the outstanding adjusted balance of the respective incremental working capital loans.

F. *Supervision*

The staff of the Participating Banks or the staff serving the Comisión, on the carrying out of supervision of ranch development loans under the provisions of Section I.F. of this Schedule, shall also supervise, according to the same standards therein set forth, the incremental working capital loans that may have been extended by the Participating Banks.

SCHEDULE 6

SUBSIDIARY LOAN AGREEMENTS

Unless the Bank and Banco Central shall otherwise agree, the Subsidiary Loan Agreements shall provide for Central Bank lending to the Participating Banks, out of the Livestock Fund, to reimburse them for the loans made under Parts 1, 2, 4 and 5 of the Project on the following terms and conditions:

1. The Central Bank shall lend to the Participating Banks amounts equal to eighty per cent (80%), eighty-five per cent (85%) or ninety per cent (90%) of ranch development loans made by such banks, at the option of the Participating Banks. These loans shall bear interest at the following rates per annum:

<i>Central Bank Loans as per cent of Ranch Development Loans</i>	<i>Interest Rate to be charged to Participating Banks</i>
80	5.0%
85	7.5%
90	9.0%

2. The Central Bank shall lend to the Participating Banks, at a seven and one-half per cent (7.5%) per annum rate of interest, amounts equal to thirty-seven per cent (37%) of the incremental working capital loans made by such banks.

3. The Central Bank shall lend to Participating Banks, at a seven and one-half per cent (7.5%) per annum rate of interest, amounts equal to one hundred per cent (100%) of the Participating Banks' loans under Parts 4 and 5 of the Project.

4. Central Bank loans to Participating Banks shall be repayable by the respective Participating Banks within the same term provided by such Participating Bank for the repayment of the amounts it has disbursed under Parts 1, 2, 4 and 5 of the Project.

5. Central Bank loans to Participating Banks shall be subject from time to time to adjustment in the same proportion applicable to the aggregate amount disbursed by the respective Participating Bank under Parts 1, 2, 4 and 5 of the Project.

6. The Participating Banks shall establish and maintain separate accounts in respect of their respective Subsidiary Loan Agreements and of each loan made under Parts 1, 2, 3, 4 and 5 of the Project.

7. The Subsidiary Loan Agreements shall include such other terms and conditions as shall be satisfactory to the Bank.

SCHEDULE 7

AUTHORITY AND RESPONSIBILITIES OF THE TECHNICAL DIRECTOR AND THE SENIOR AGRICULTURAL ECONOMIST

I. *Technical Director*

The Technical Director shall be responsible to the Comisión for the execution of Parts 1, 2, 4, 5, 6 and 7 of the Project. He shall have the following specific duties and powers:

1. advising the Comisión on major policy decisions in respect of the Project;
2. conducting the execution of Parts 1, 2, 4, 5, 6 and 7 of the Project in accordance with the policies and procedures approved by the Comisión;
3. cooperating with the management of the Participating Banks in the carrying out of Parts 1, 2, 4 and 5 of the Project;
4. training staff serving the Comisión as shall be necessary to carry out parts 6 and 7 of the Project;
5. approving or disapproving all ranch development plans;
6. following up, supervising and giving technical assistance to ranchers as necessary to ensure success of each ranch development plan;

7. advising Participating Banks, through the Comisión, on the suspension or prematuring of farm and ranch development loans, or both, when he finds that the respective ranch development plan is not being carried out in accordance with the terms of the ranch and farm development loan agreement; and informing the Participating Banks, through the Comisión, if and when such situation has been satisfactorily rectified;
8. establishing and maintaining farm and ranch records for sample farms and ranches as needed for Project evaluation;
9. making recommendations to the Comisión with respect to:
 - (a) remuneration and other compensation for staff serving the Comisión shall be necessary to attract the best qualified personnel available; and
 - (b) the recruitment, suspension or removal of PLAN staff;
10. preparing quarterly and annual progress reports for submission to the Comisión and transmittal to the Bank;
11. providing guidance to agencies of the Borrower with (a) the preparation and execution of pasture and beef research work related to the Project and (b) an improved seed production and processing scheme; and
12. attending all such meetings of the Comisión as, in his opinion, shall require his presence.

II. *Senior Agricultural Economist*

The Senior Agricultural Economist, as a technical officer of the Comisión, shall be responsible directly to the Comisión and the Technical Director in the execution of the following duties:

1. to design, organize and execute a system of careful on-farm record keeping to assess the technical and economic impact of Comisión supported investments;
2. to assess the economics of different types of on-farm fodder and hay conservation methods under different price and ecological conditions in Uruguay;
3. to design, organize and maintain careful indexes of the on-farm prices of major inputs (fertilizer, seed, machines, etc.) and outputs (cattle, sheep, wool, crops) used by borrowers under Parts 1 and 2 of the Project;
4. to assess periodically the economics (using the internal rate of return) of different systems of pasture improvement and ranch management in the various ecological zones of Uruguay, working for this directly under the Technical Director; and
5. to work closely with the economists of the agencies of the Borrower in assessing the costs and benefits of on-farm grass/legume fertilizer trials carried out largely on commercial farms throughout the territories of the Borrower.

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.]
