His Excellency
Danilo Astori
Minister of Economy and Finance
Ministry of Economy and Finance
Montevideo, Uruguay

Re: Loan No. 8099-UY
(Sustainable Management of Natural Resources and Climate Change Project)
First Amendment to the Loan Agreement

Excellency:

We refer to the Loan Agreement between the República Oriental del Uruguay (the Borrower) and the International Bank for Reconstruction and Development (the Bank) for the above-captioned Project, dated January 17, 2012 (the Loan Agreement). Please note that capitalized terms used in this letter (Amendment Letter) and not defined herein have the meaning ascribed to them in the Loan Agreement.

We also refer to your letter dated October 27, 2014, wherein a request is made to amend the Loan Agreement. I am pleased to inform you that the Bank concurs with your request and therefore proposes to amend the Loan Agreement as follows:

1. Part 2 (b) of Schedule 1 to the Loan Agreement is amended to read as follows:

“(b) Provision of: (i) Preparation Grants; and (ii) technical assistance to Beneficiaries for the preparation and implementation of Sub-projects.”

2. Section I.C of Schedule 2 to the Loan Agreement is amended to read as follows:

“C. Sub-projects

1. (a) The Borrower, through MGAP, shall make Preparation Grants to Beneficiaries to partially finance the preparation of Sub-project proposals, in accordance with eligibility criteria and procedures satisfactory to the Bank.

(b) The Borrower, through MGAP, shall make each Preparation Grant available to the pertinent Beneficiary, under a Sub-project Preparation Agreement to be entered into between the Borrower, through MGAP, and said Beneficiary, on terms and conditions satisfactory to the Bank, including the obligation of the Beneficiary to: (i) comply with the provisions of the Anti-Corruption Guidelines; and (ii) ensure that the terms of reference for any consultancy required for the carrying out of feasibility studies required for the preparation of Sub-project proposals shall duly incorporate the requirements of the Bank’ Safeguards Policies
then in force, as applied to the advice conveyed through such technical assistance.

2. The Borrower, through MGAP, shall make Sub-project Grants to Beneficiaries to partially finance Sub-projects under Part 2 (a) of the Project, in accordance with eligibility criteria and procedures satisfactory to the Bank, which shall include the following:

(a) A pre-screening by DGDR of the eligibility of the Beneficiaries submitting Sub-project proposals, with regard to eligibility criteria and procedures satisfactory to the Bank, as specified in the Operational Manual.

(b) A review and approval by the Project’s selection committee of the Sub-project proposal, on the basis of a detailed evaluation of MGAP’s Rural Development Directorate, pursuant to eligibility criteria and procedures acceptable to the Bank as further specified in the Operational Manual, which shall include the following:

(i) unless otherwise agreed by the Bank, the amount of the proposed Sub-project Grant shall be no more than: (A) eight thousand Dollars ($8,000) equivalent for Family Producers and Medium Size Producers; and (B) fifty thousand Dollars ($50,000) equivalent for groups of farmers and farmers’ organizations;

(ii) the Sub-project Grant shall only finance the purchase of equipment, works, goods, consultants’ services, Non-Consultant Services and/or Training;

(iii) no Sub-project Grants shall finance any activity included in the Negative List; and

(iv) the proposed Sub-project shall comply with the provisions of the Environmental and Social Management Framework.

3. Upon approval of a Sub-project proposal, the Borrower, through MGAP, shall make each Sub-project Grant available to the pertinent Beneficiary, under a Sub-project Agreement to be entered into between the Borrower, through MGAP, and said Beneficiary, on terms and conditions satisfactory to the Bank, which shall include the following, namely, that the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to:

(a) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-project Grant, or obtain a refund of all or any part of the amount of the Sub-project Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-project Agreement; and

(b) require the Beneficiary to: (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (ii) provide, promptly as needed, the resources
required for the implementation of the Sub-project; (iii) procure the goods, works, consultant services and services to be financed out of the Sub-project Grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives; (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; (B) at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; and (C) make such audited financial statements publicly available in a timely fashion and in a manner acceptable to the Bank; (vi) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and (vii) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

4. The Borrower shall exercise its rights and carry out its obligations under each Sub-project Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, terminate, abrogate, waive or fail to enforce any Sub-project Agreement or any of its provisions.

5. The Borrower, through MGAP, shall, during the first two years of the implementation of the Project and thereafter upon the Bank’s request: (i) carry out operational audits covering the implementation of Sub-projects during each calendar semester, with the scope and under terms and conditions acceptable to the Bank; and (ii) not later than forty five days after each calendar semester, furnish said operational audit reports to the Bank.”

3. Section I.D.2 (f) of Schedule 2 to the Loan Agreement is amended to read as follows:

“(f) the model form of a Sub-project Agreement and a Sub-project Preparation Agreement;”

4. A new Section I.E.4 of Schedule 2 to the Loan Agreement is added to read as follows:

“4. The Borrower shall ensure that: (a) the terms of reference for any consultancy required under Part 2 (b) of the Project shall be satisfactory to the Bank following its review thereof; and (b) to that end, such terms of reference shall duly incorporate the requirements of the Bank’ Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.”
5. The table under Section IV.A.2 of Schedule 2 to the Loan Agreement is amended to read as follows:

<table>
<thead>
<tr>
<th>“Category”</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and Non-Consultant Services (other than under Category (3))</td>
<td>2,600,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Consultants’ services and Training (other than under Category (3))</td>
<td>17,000,000</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Preparation Grants and Sub-project Grants</td>
<td>22,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>4,100,000</td>
<td>85%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>2,500,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>49,000,000</td>
<td></td>
</tr>
</tbody>
</table>

6. The Appendix to the Loan Agreement is amended to read as follows:

(a) The definition of “Beneficiary” is amended to read as follows:

"2. “Beneficiary” means each Family Producer, Medium Size Producer, groups of farmers or farmers’ organizations (vested with legal personality), which meet the eligibility criteria set forth in the Operational Manual to receive a Preparation Grant or a Sub-project Grant."

(b) The definition of “Grant” is hereby deleted. Consequently, the existing definitions are renumbered to keep the alphabetical order.

(c) The following definitions are added and placed in alphabetical order under the Appendix to read as follows:

(i) “Bank’s Safeguard Policies” means the Bank’s operational safeguard policies and procedures, set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, or such policies and procedures then in force.

(ii) “Preparation Grant” means a grant made, or to be made, to a Beneficiary out of the proceeds of the Loan, under terms and conditions set forth in the Operational Manual, to partially finance consultants’ services and Non-Consultant Services needed for the carrying out of feasibility studies required for the preparation of a Sub-project proposal.
(iii) "Sub-project Grant" means a grant made, or to be made, to a Beneficiary out of the proceeds of the Loan to partially finance works, goods, consultants' services, Non-Consultant Services and/or Training under any given Sub-project.

(iv) "Sub-project Preparation Agreement" means each agreement referred to in Section I.C.1 (b) of Schedule 2 to this Agreement.”

All other provisions of the Loan Agreement, except as amended herein, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by signing and dating this Amendment Letter in the spaces provided below. This Amendment Letter will be executed in two counterparts, each of which shall be deemed an original and one of which shall be returned to us. The provisions of this Amendment Letter will become effective as of the date of your countersignature, upon receipt by the Bank of one fully executed original of this Amendment Letter.

Please also note that the restructuring paper dated March 16, 2015, will be disclosed on the Bank’s external website.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Jesko S. Hentschel
Director
Argentina, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED:

REPÚBLICA ORIENTAL DEL URUGUAY

By: Authorized Representative

Name: Danilo Astori

Title: Ministro de Economía y Finanzas

Date: June 22nd, 2015
Cc: Adrian Fernandez, World Bank Advisor to Executive Director
Mariella Maglia, Relations with International Organizations, Ministry of Economy and Finance