Loan Agreement

(OSE Modernization & Systems Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ADMINISTRACION DE LAS OBRAS SANITARIAS DEL ESTADO

Dated May 15, 2001
AGREEMENT, dated May 15, 2001 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ADMINISTRACION DE LAS OBRAS SANITARIAS DEL ESTADO (the Borrower).

WHEREAS (A) the Borrower delivered to the Bank a letter dated April 14, 2001 (the Program Letter) describing the Borrower's program (which is consistent with the Public Services Policy referred to in (B) below), to be carried out during the period 2001 - 2010, to increase the efficiency, coverage and sustainability of water supply and sanitation services in Uruguay by improving the Borrower's competitiveness, maintaining the reliability and enhancing the coverage of water supply infrastructure and increasing sewerage coverage and sewage treatment (the Program);

(B) République Oriental del Uruguay (the Guarantor) delivered to the Bank a letter dated May 8, 2000 describing, inter alia, its water and sanitation policy (the Public Services Policy);

(C) the Guarantor and the Borrower, having been satisfied as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), have requested the Bank to assist in the financing of the Project;

(D) by an agreement of even date herewith between the Guarantor and the Bank (the Guarantee Agreement), the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the loan provided for in Article II of this Agreement (the Loan) and to undertake such other obligations as set forth in the Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower, in support of the first phase of the Program, upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:
ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) with the modification set forth below (the General Conditions) constitute an integral part of this Agreement.

Paragraph (c) of Section 9.07 of the General Conditions is modified to read in its entirety as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "BCU" means Banco Central del Uruguay, the Borrower’s Central Bank;

(b) "Convenio" means the agreement referred to in Section 3.04 (a) of this Agreement;

(c) "Departamento" means a political subdivision of the Guarantor;

(d) "Eligible Categories" means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) "Eligible Community" means an organized group of individuals which meet the criteria set forth in the Operational Manual to benefit from a Subproject;

(f) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 of this Agreement;
(g) "EU" means the unit established pursuant to the Borrower's Resolution No. 117/2000 of February 2, 2000 and referred to in Section 3.06 (a) (ii) of this Agreement;

(h) "ISO" means the International Standards Organization, an international entity which sets standards and norms;

(i) "Law No. 11907" means the Guarantor's Ley No. 11907 of December 19, 1952 which established the Borrower, and such term also includes the regulations to such law, as such law and regulations have been amended to the date of this Agreement;

(j) "Operational Manual" means the manual dated May 8, 2000 which includes, inter alia: (i) the reporting requirements for the internal performance benchmarking system referred to in Part A.1 of the Project; (ii) the functions and responsibilities of the PMU, EU and UFW Unit; (iii) the criteria and procedures for approving Subprojects and the terms and conditions of the Convenios; (iv) the standards to be followed by the Borrower in the preparation of the Project's progress reports; and (v) the Project monitoring and evaluating guidelines and indicators;

(k) "OSE Project Agreement" means the Project Agreement entered into between the Bank and the Borrower on April 14, 1988 in connection with Loan No. 2921 UR which financed the Water Supply Rehabilitation Project;

(l) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(m) "PMU" means the unit established pursuant to the Borrower's Resolutions No. 1196/90 of May 16, 1990 and No. 272/01 of March 7, 2001 and referred to in Section 3.06 (a) (i) of this Agreement;

(n) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(o) "Subproject" means any of the works referred to in Part C.2 of the Project;

(p) "UFW" means unaccounted-for water;

(q) "UFW Unit" means the unit established pursuant to the Borrower's Resolution No. 118/2000 of February 2, 2000 and referred to in 3.06 (a) (iii) of this Agreement; and

(r) "Utility Benchmarking Exercise" means the Bank's initiative to collect standardized operational and financial information on utilities worldwide.
ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to twenty seven million Dollars ($27,000,000).

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 Agreement 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 and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower and the Guarantor of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower and the Guarantor of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower or the Guarantor notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

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

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out: (a) Parts A, B, C.1, C.3 through C.5 and D of the Project; and (b) Part C.2 of the Project in coordination with the Departamentos and Eligible Communities as provided in Section 3.03 of this Agreement, all with due diligence and efficiency and in conformity with appropriate administrative, engineering, financial, public utility, technical and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) The Borrower shall carry out the Project in accordance with the corresponding annual operating plan referred to in Section 3.08 of this Agreement and the Operational Manual.

(b) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.04. (a) For purposes of carrying out each Subproject, the Borrower shall, upon approval of a Subproject and prior to the initiation of the bidding process for the Subproject’s works, enter into an agreement (the Convenio) with the corresponding Departamento (which has municipal jurisdiction over the corresponding Eligible Community) and Eligible Community under terms and conditions satisfactory to the Bank.

(b) The Borrower shall exercise its rights under each Convenio in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, terminate, abrogate or waive the Convenios or any provision thereof.

Section 3.05. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:
(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.06. (a) The Borrower shall maintain and operate during the implementation of the Project: (i) a Project management unit (the PMU); (ii) an environmental unit (the EU); and (iii) an UFW unit (the UFW Unit), all with functions and responsibilities satisfactory to the Bank.

(b) The Borrower shall ensure that the PMU, EU and UFW Unit each comprise, at all times during the implementation of the Project, a coordinator and staff in adequate numbers, all with qualifications and experience satisfactory to the Bank.

Section 3.07. (a) The Borrower shall, at least twice a year, starting in July 2001, provide certified information to its staff and customers, in a manner satisfactory to the Bank, with respect to the quality of its services as measured by the Borrower's internal performance benchmarking system referred to in Part A.1 of the Project.

(b) For purposes of certifying the information referred to in paragraph (a) above, the Borrower shall hire independent auditors, acceptable to the Bank.

Section 3.08. The Borrower shall, not later than December 31, of each year of Project implementation, starting in the year 2001, prepare and furnish to the Bank an annual operating plan, satisfactory to the Bank, which shall include, inter alia, the activities to be carried out under the Project during the calendar year following the date of presentation of such plan, including the cost of each such activity.

Section 3.09. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Project monitoring and evaluating guidelines and indicators set forth in the Operational Manual, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than January 31, April 30, July 31 and October 31 during Project implementation, starting with the report due not later than October 31, 2001, a report of
such scope and in such detail as the Bank shall reasonably request which, inter alia,
integrates the results of the monitoring and evaluation activities performed pursuant to
paragraph (a) of this Section, on the progress achieved in the carrying out of the Project
during the calendar quarter preceding the date of said report and sets out the measures
recommended to ensure the efficient carrying out of the Project and the achievement of
the objectives thereof during the period following such date;

(c) with respect to the reports to be furnished to the Bank each January 31 as
provided in paragraph (b) above, also include in each such reports a detailed description
of all the investments carried out by the Borrower during the calendar year preceding the
date of presentation of each such reports; and

(d) review with the Bank, by July 31, 2003, or such later date as the Bank
shall request, the pertinent reports referred to in paragraph (b) of this Section, and,
thereafter, take all measures required to ensure the efficient completion of the Project and
the achievement of the objectives thereof, based on the conclusions and recommendations
of the said reports and the Bank’s views on the matter.

Section 3.10. The Borrower shall not later than June 30 of each year during
Project implementation, starting in the year 2002, furnish to the Bank, in a manner
acceptable to the Bank, information concerning the Borrower’s operational and financial
performance as requested pursuant to the Utility Benchmarking Exercise.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system,
including records and accounts, and prepare financial statements, all in accordance with
accounting standards acceptable to the Bank, consistently applied, adequate to reflect its
operations and financial condition and to register separately the operations, resources and
expenditures related to the Project.

(b) The Borrower shall:

(i) have its records, accounts and financial statements (balance sheets,
statements of income and expenses and related statements) and the
records and accounts for the Special Account for each fiscal year
audited, in accordance with auditing standards acceptable to the Bank,
consistently applied, by independent auditors acceptable to the Bank;
(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited; and (B) an opinion on such statements and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including as part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; and

(iii) furnish to the Bank such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than six months after the
Effective Date, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than January 31, April 30, July 31 and October 31 of each year during Project implementation, a Project Management Report for each calendar quarter ending on December 31, March 31, June 30 and September 30.

Section 4.03. The Borrower shall each year, starting in the year 2002, spend an amount equivalent to at least 5% of its annual investment budget or not less than $3,000,000, whichever amount is higher, to replace water distribution pipes and valves and connection piping in its water supply system.

Section 4.04. (a) The Borrower shall, not later than the completion date for each of the UFW reduction works carried out under Part B.2 (b) of the Project, authorize annual transfers (in addition to the annual budget transfers from the Borrower to each of its departmental offices managing water and sanitation services) to each of the Borrower's departmental offices managing water and sanitation services located in the cities in which such UFW reduction works have been carried out, in an amount equal to not less than 20% of the savings resulting from such UFW reduction works in each of those cities (said savings to be calculated not later than twelve months after the Effective Date by the Borrower in accordance with a methodology satisfactory to the Bank).
(b) For purposes of this Section, the term "completion date" means the date on which the contractor has agreed to complete the works and deliver them to the Borrower, as such date may be amended during contract execution by the parties thereto.

Section 4.05. For purposes of carrying out the annual technical audits referred to in Part D.3 of the Project, the Borrower shall: (a) not later than November 30 of each year during Project implementation, starting in the year 2002, hire independent auditors, acceptable to the Bank; and (b) not later than six months after the end of each such year, furnish to the Bank a report of the audit by said auditors for the corresponding year, of such scope and in such detail as the Bank shall have reasonably requested, provided, however that the first audit report to be furnished to the Bank as provided herein shall also include the results of the technical audit with respect to the Project's investments carried out by the Borrower during the years 2000 and 2001.

Section 4.06. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain a ratio of current assets to current liabilities of not less than: (i) 1.10 by the end of fiscal year 2002; (ii) 1.10 by the end of fiscal year 2003; and (iii) 1.20 by the end of fiscal year 2004.

(b) For purposes of this Section:

(i) the term "current assets" means the sum of the following current asset line items (as reflected in the Borrower's 1998 audited financial statements and calculated by using the accounting principles applied to such financial statements): cash (disponibilidades), short term investments (inversiones temporarias), amounts due from customers (créditos por ventas), other short term assets (otros créditos) and inventory (bienes de cambio); and

(ii) the term "current liabilities" means the sum of the following current liability line items (as reflected in the Borrower's 1998 audited financial statements and calculated by using the accounting principles applied to such financial statements): amounts due to suppliers (deudas comerciales), short term financial debts (deudas financieras), other short term debts (deudas diversas) and provision for risks (previsiones).

Section 4.07. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain a debt service ratio of not less than: (i) 1.4 by the end of fiscal year 2002; (ii) 1.5 by the end of fiscal year 2003; and (iii) 1.6 by the end of fiscal year 2004.

(b) For the purposes of this Section:
The term "debt service ratio" means cash available to service debt divided by total debt service.

The term "cash available to service debt" means the sum of the following cash flow account items (as reflected in the Borrower's medium-term financial projections (modelo financiero) and calculated by using the accounting principles applied to such financial projections): net income/loss (utilidad/ perda neta), depreciation (depreciación y bajas), monetary correction (corrección monetaria) and financial costs (gastos financieros) minus the following cash flow account items: increase or decrease in net working capital (incremento/disminución en el capital de trabajo), increase or decrease in other assets and liabilities (incremento/disminución en los otros activos y pasivos), capitalized expenses (gastos capitalizables) and capitalized interest expenses (intereses capitalizables).

The term "total debt service" means the sum of the following cash flow account items (as reflected in the Borrower's medium-term financial projections (modelo financiero) and calculated by using the accounting principles applied to such financial projections): long term debt payments (amortización de la deuda a largo plazo), interest payments on long term debt (gastos financieros de deuda a largo plazo), short term debt payments (amortización de prestamos a corto plazo) and interest payments on short term debt ( intereses de deuda a corto plazo).

Section 4.08. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain an operating margin of not less than: (i) 38% by the end of fiscal year 2002; (ii) 41% by the end of fiscal year 2003; and (iii) 44% by the end of fiscal year 2004.

(b) For the purposes of this Section:

(i) The term "operating margin" means total operating revenues minus total operating costs divided by total operating revenues.

(ii) The term "total operating revenues" means the sum of the following income statement line items (as reflected in the Borrower's 1998 audited financial statements and calculated by using the accounting principles applied to such financial statements): water revenues (ingresos por venta de agua potable), sanitation revenues (ingresos por servicios de alcantarillado), other operating revenues (otros
ingresos operativos) and fines and interest charged on customers’ debt (multas e intereses por mora facturada a clientes).

(iii) The term “total operating costs” means the sum of the following income statement line items (as reflected in the Borrower’s 1998 audited financial statements and calculated by using the accounting principles applied to such financial statements): sales costs (costos de los servicios prestados) which include five categories of costs: personnel (gastos de personal), energy and chemicals (energía y fluidos), equipment and supplies (materiales y suministros), services provided by third parties (servicios contratados) and other sales costs (otros costos), excluding from the other sales costs the change in provision on bad customer debt (variaci6n- previsión deudas incobrables) and the changes in inventory (diferencias de inventario)); and administration costs (costo de administración y ventas) which include five categories of costs: personnel (gastos de personal), energy and chemicals (energía y fluidos), equipment and supplies (materiales y suministros), services provided by third parties (servicios contratados) and other sales cost (otros costos), excluding from the other sales costs the change in provision on bad customer debt (variaci6n- previsión deudas incobrables) and the changes in inventory (diferencias de inventario)).

Section 4.09. The Borrower shall not later than six months after the Effective Date furnish to the Bank a management letter, acceptable to the Bank, reflecting the results of an examination carried out by independent auditors, acceptable to the Bank, concerning the Borrower’s internal controls.

Section 4.10. The provisions of Sections 4.02 and 4.04 of the OSE Project Agreement are hereby deleted and Sections 4.06, 4.07 and 4.08 of this Agreement are added after Section 4.02 of the OSE Project Agreement (as amended hereby) as Sections 4.03, 4.04 and 4.05, respectively.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall:

(a) carry on its operations and conduct its affairs in accordance with sound administrative, engineering, financial, public utility, technical and environmental
practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers;

(b) at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, public utility, technical and environmental practices; and

(c) 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 appropriate practice.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that Law No. 11907 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of the Borrower to carry out the Project.

Section 6.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraph (a) of Section 6.01 of this Agreement shall occur.

ARTICLE VII

Termination

Section 7.01. The date August 15, 2001 is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The President of the Borrower’s Board of Directors is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Administración de las Obras Sanitarias del Estado
Carlos Roxlo 1275
Montevideo, Uruguay

Cable address: OSE
Montevideo, Uruguay

Facsimile: (598-2) 4000135

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
Telex: 248423 (MCI) or 64145 (MCI)
Washington, D.C.
Facsimile: (202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Montevideo, República Oriental del Uruguay, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Myrna Alexander
Acting Regional Vice President
Latin America and the Caribbean

ADMINISTRACION DE LAS OBRAS SANITARIAS DEL ESTADO

By

Juan Justo Durante Corradino
By Alberto Heber Martinez Tejera

Authorized Representatives
SCHEDULE 1
Withdrawal of the Proceeds of the Loan

A. General

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 expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part B.2 (c) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) for the first and second acquisition of goods and 50% of local expenditures</td>
<td>2,000,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(ii) for the third and fourth acquisition of goods</td>
<td>600,000</td>
<td>40% of foreign expenditures and 20% of local expenditures</td>
</tr>
<tr>
<td>(iii) for the fifth and sixth acquisition of goods and 5% of local expenditures</td>
<td>150,000</td>
<td>10% of foreign expenditures</td>
</tr>
<tr>
<td>(b) under other Parts of the Project</td>
<td>1,770,000</td>
<td>100% of foreign expenditures and 50% of local expenditures</td>
</tr>
<tr>
<td>(2) Works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part C.2 of the Project</td>
<td>3,580,000</td>
<td>75%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>(b) under other Parts of the Project</td>
<td>7,610,000</td>
<td>45%</td>
</tr>
<tr>
<td>(3) Consultants’ services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part C.5 of the Project</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>(b) under other Parts of the Project</td>
<td>7,180,000</td>
<td></td>
</tr>
<tr>
<td>(4) Training</td>
<td>40,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Transportation Costs</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Audit Fees</td>
<td>400,000</td>
<td>80%</td>
</tr>
<tr>
<td>(7) Fee</td>
<td>270,000</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>2,800,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>27,000,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

   (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor;

   (b) the term “local expenditures” means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor;

   (c) the term “Training” means expenditures (other than those for Consultants’ services) incurred by the Borrower to finance the transportation costs and per-diem of trainees under the Project;
(d) the term "Transportation Costs" means expenditures incurred by the Borrower to finance the transportation costs and per-diem of its staff and management in connection with the carrying out of the Project; and

(e) the term "Audit Fees" means the fees to be paid by the Borrower to the auditors in connection with the carrying out of the audits mentioned in Sections 4.01(b) (i), 4.05 and 4.09 of this Agreement.

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

   (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding an amount equal to $400,000, may be made in respect of Categories (1) (b) and (3) (b) set forth in the table in paragraph 1 of this Part A on account of payments made for expenditures before that date but after January 1, 2001; and

   (b) payments made for expenditures under Category (3) (a) of the table set forth in paragraph 1 of this Part unless the Borrower has presented to the Bank evidence that it has obtained the necessary permits, satisfactory to the Bank, to carry out the engineering studies, final design and the environmental assessment referred to in Part C.5 of the Project.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods costing less than $50,000 equivalent each; (b) contracts for works costing less than $500,000 equivalent each; (c) contracts for the employment of consulting firms costing less than $100,000 equivalent each; (d) contracts for the employment of individual consultants costing less than $50,000 equivalent each; and (e) Training, Transportation Costs and Audit Fees as set forth in Categories (4), (5) and (6) of the table in paragraph 1 of this Part A, respectively, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Dollars a separate special deposit account in BCU, on terms and conditions satisfactory to the Bank.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:
(a) until the Bank shall have received (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.
6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.
Annex A
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports

1. For the purposes of this Annex:

   (a) The term “Authorized Allocation” means an amount equal to $4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to $2,000,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed an amount equal to $5,000,000.

2. Withdrawals of the Special Account’s Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Special Account’s Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested.

   (b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account’s Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan allocated to said Special Account’s
Eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories, shall equal the equivalent of twice the amount of the Special Account’s Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to said Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B  
to  
SCHEDULE 1  

Operation of Special Account  
When Withdrawals Are Made  
On the Basis of Project Management Reports  

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account’s Eligible Categories.  

2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.  

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed an amount equal to $4,000,000.
SCHEDULE 2

Description of the Project

The objective of the Project is to increase the efficiency, coverage and sustainability of water supply and sanitation services in Uruguay through: (a) the improvement of the Borrowers' efficiency and effectiveness; (b) the increase of treated water pumping capacity in the city of Montevideo and UFW reductions in cities outside Montevideo; and (c) the increase of sewage treatment and the design of a strategy for sewerage expansion.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Institutional Renewal

1. Design and implementation of an internal performance benchmarking system that will enable the Borrower to, inter alia, measure operational efficiency and customer satisfaction, identify potential efficiency gains, improve service quality standards and promote an internal competition amongst its regional offices.

2. Strengthening of the Borrower's decentralization process initiated in 1994 to enable the Borrower's central management to gradually transfer operational responsibilities to the regional management units and increase the participation of such units in the design of the Borrower's strategic operational plans.

3. Upgrading of the Borrower's: (a) commercial system to, inter alia, rationalize and revise commercial practices, improve collection rates and simplify commercial administration; (b) financial system to ensure the compatibility of such system with other new systems adopted by the Borrower, including but not limited to the commercial system; and (c) strategic planning capacity to, inter alia, improve: (i) its capacity and procedures to carry out economic, financial and social analyses of its investments, including ex-post evaluations; and (ii) its capacity to analyze and manage strategic, financial and other corporate information.

4. Carrying out of studies to evaluate alternative strategies for the provision of water and sanitation services in areas to be selected by the Borrower.

5. Strengthening of the Borrower's environmental management capacity, through, inter alia: (a) the provision of technical assistance to the Borrower to enable it to operate
the EU; (b) the implementation of an environmental program to enable the Borrower to obtain the ISO – 14000 certification; (c) the preparation of environmental guidelines and manuals for the design, construction and operation of water and wastewater treatment plants; (d) the carrying out of a training program for wastewater treatment plant operators; (e) the carrying out of an environmental assessment of the Borrower’s water and sanitation services that will analyze its current environmental management capacity; (f) the carrying out of environmental assessments, as required by the Bank, of those investments which may be carried out in subsequent phases of the Program; (g) the carrying out of environmental audits of those water and sanitation systems in which the Borrower envisages private sector participation; and (h) the strengthening of the Borrower’s water quality laboratory through the application of the ISO-25000 certification program and the improvement of its information systems for water quality.

6. Provision of training to the Borrower’s staff and management which consists of, inter alia, the participation of such staff and management in events, conferences and study tours to be selected by the Borrower in accordance with the criteria set forth in the Operational Manual.

Part B: Water Supply

1. Acquisition and installation of two high-lift centrifugal pumps (including ancillary equipment to such pumps) for the Aguas Corrientes treatment plant.

2. Carrying out of an UFW reduction program which consists of: (a) strengthening of the Borrower’s capacity to implement UFW reductions programs (including the carrying out of a campaign to build awareness among the Borrower’s staff and the general population concerning the need to reduce UFW); (b) carrying out of a pilot UFW reduction program with respect to the water supply systems of Metropolitan Montevideo, including Santa Lucía, Atlántida and Ciudad de la Costa and those located in the cities of Salto, Florida and San José; and (c) the replacement and/or installation of at least 100,000 household water meters each year during the period 2001-2004.

3. Carrying out of a feasibility study to design a program for the provision of water supply to cities and towns with less than 1,000 inhabitants.

Part C: Sanitation

1. Carrying out of a study to design a national sanitation master plan to benefit towns with more than 1,000 inhabitants that lack sewage collection or treatment, including an analysis of the operation and maintenance cost recovery of sewerage for such towns.
2. Carrying out of demand-driven subprojects consisting of the construction or expansion of sewerage systems in Eligible Communities located in the cities of **Salto, Paysandú, Minas, Treinta y Tres, Florida and San José**, all of which Subprojects meet the criteria set forth in the Operational Manual.

3. Construction of sewage treatment plants and outfalls in the cities of **Minas and Treinta y Tres**.

4. Carrying out of: (a) feasibility studies with respect to the construction of sewage treatment plants and outfalls in the cities of **Salto and Paysandú**; and (b) engineering designs, including feasibility and final design and an environmental assessment with respect to the construction of a sewage treatment plant and outfall in the city of **Mercedes**.

5. If the studies referred to in Part C.4 (a) above deem feasible the construction of the sewage treatment plants and outfalls mentioned in such Part of the Project, carrying out of the engineering studies and final design and the environmental assessment for those investments.

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**Part D: Project Management and Supervision**

1. Strengthening of: (a) the operational capacity of the PMU to manage and coordinate the Project; and (b) the Borrower’s financial management system.

2. Provision of technical assistance to the Borrower to assist it in the carrying out of the supervision of the works under the Project.

3. Carrying out of annual technical audits with respect to Project investments in accordance with auditing standards acceptable to the Bank.

* * *

The Project is expected to be completed by December 31, 2004.
**SCHEDULE 3**

**Amortization Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (Expressed in Dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15 beginning February 15, 2006 through August 15, 2015</td>
<td>1,350,000</td>
</tr>
</tbody>
</table>

*The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.*
SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

   (a) Preference for Domestically Manufactured Goods

   The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Guarantor.

Part C: Other Procurement Procedures

1. National Competitive Bidding

   (a) Works estimated to cost $300,000 equivalent or more but less than $1,500,000 equivalent per contract, up to an aggregate amount not to exceed $5,370,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

   (b) Procurement of works under this Part shall be carried out using standard bidding documents acceptable to the Bank.
2. **Shopping**

Goods estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $230,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures, at the option of the Borrower, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. **Procurement of Small Works**

Works estimated to cost less than $300,000 equivalent per contract, up to an aggregate amount not to exceed $1,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least six (6) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

**Part D: Review by the Bank of Procurement Decisions**

1. **Procurement Planning**

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. **Prior Review**

With respect to: (a) each contract for goods and works to be procured under Part B of this Section; and (b) the first two contracts for works to be procured under Part C.1 (a) of this Section and those contracts for works to be procured under such Part estimated to cost more than $500,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.
3. **Post Review**

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

### Section II. Employment of Consultants

#### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

#### Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

#### Part C: Other Procedures for the Selection of Consultants

1. **Least-cost Selection**

Consultants' services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. **Individual Consultants**

Consultants' services for specialized activities under the Project, as approved by the Bank, which meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.
Part D: Review by the Bank of the Selection of Consultants

1. **Selection Planning**

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. **Prior Review**

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost less than the equivalent of $100,000, the terms of reference and short list of the consulting firms shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for the employment of individual consultants estimated to cost less than the equivalent of $50,000, the terms of reference and short list of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. **Post Review**

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.
Section III. Special Provisions

A. In addition and without limitation to any other provisions set forth in Section I or the Guidelines, the following principles and rules of procurement shall expressly govern all procurement of works referred to in Part C.1(a) of Section I of this Schedule. The principle and rule of procurement referred to in paragraph 3 below shall also govern all procurement of goods and works referred to in Part B of Section I of this Schedule:

1. The time allowed for the preparation and submission of bids shall be at least 30 days.

2. The Borrower shall open all bids at the stipulated time and place. The name of the bidder and total amount of each bid, and of any alternative bids if they have been requested or permitted, shall be read aloud and recorded when opened and a copy of this record shall be promptly sent to the Bank.

3. The disclosure of information related to the contents of each bid, other than as set out in paragraph 2 above, shall not be permitted.

4. The lowest evaluated bid which has been determined by the Borrower to be substantially responsive to the bidding documents shall be selected for contract award.

5. There will be no prescribed minimum number of bids to be submitted in order for a contract to be subsequently awarded.

6. After the public opening of bids, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the successful bidder is notified of the award.

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

8. The Borrower shall award the contract, within the period of validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (a) to be substantially responsive to the bidding documents; and (b) to offer the lowest evaluated cost. A bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
B. In addition and without limitation to any other provisions set forth in Section II of this Schedule or the Consultant Guidelines, the following principles and rules of procurement shall expressly govern all procurement of consultants' services referred to in Section II of this Schedule:

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

2. The prices of contracts over one year duration may be adjusted.
I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

For Vice President and Corporate Secretary