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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

EXTERNAL DEBT OF URUGUAY

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Economic Department
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S U M M A R Y.

The Republic of Uruguay first became a borrower in the international capital market in 1864 when it issued a one million pound loan in London for the conversion of internal debt. Further loans were issued in London through 1890 by which time £17.5 million was outstanding. Both interest and amortization were suspended during this period from time to time (first in 1876), and debt adjustment programs were worked out resulting in reinstatement of interest and amortization payments, usually on a somewhat lower basis. In 1891 the outstanding debt was consolidated into one 3½% loan. Further borrowing in London, and some in Paris, took place from then and until the outbreak of World War I at which time the external debt had reached £24.6 million.

Uruguayan financing shifted to the U. S. market in 1915 and between that year and 1930, \$68 million of dollar bonds were issued, bearing coupons between 5% and 8%. The proceeds of the issues were used mainly to acquire a railway; promote agriculture; pay and refund certain indebtedness; and to construct sanitary works, ports, roads and other public works and utility projects.

All interest payments were met consistently from 1891 through 1932, but sinking fund payments were partly suspended 1915-1920 and again 1923-24.

The world crisis of the early 1930s once more brought Uruguay's foreign debt into default. As a result of a sharp decline in exports and the complete stoppage of incoming foreign capital, sinking fund payments on the external debts were suspended from January 1932 and July 1933. From this latter date interest on the external debt was made payable only in pesos, the peso equivalent being computed at par of exchange. Due to the

II.

depreciation of the peso, the result to the bondholders was a 40% reduction in interest.

In 1937 Uruguay recognised the advisability of placing its financial house in order and offered the bondholders a permanent debt adjustment plan which consisted of an exchange of old bonds on a par for par basis for new bonds and a reduction of the old interest coupons from 5-8% to 3-1/2 - 4-5/16%.

There was practically no external long-term borrowing by Uruguay during the 'thirties. In 1942 and 1943, Uruguay borrowed from the Export-Import Bank of the U. S. Government an authorized amount of \$43.7 million, of which \$29.2 million was either cancelled or expired, resulting in a net borrowing from the Export-Import Bank of \$14.5 million. These funds were mainly for hydro-electric development.

The present outstanding external debt of Uruguay is estimated at \$131 million on which interest and amortization payments total \$7 million per year. Of that amount \$3.6 million is payable in U. S. dollars and \$3.2 million in pounds sterling. The dollar payments amount to 7.2% of the 1948 exports to the United States and total service payments to 3.8% of the total exports of Uruguay in that year.

EXTERNAL DEBT RECORD OF URUGUAY.

I. Historical Review of External Borrowing until 1930.

The Republic of Uruguay first became a borrower in international capital markets in 1864 when it issued in London a £1 million loan at 60 for the conversion of internal debts. In 1871 a new loan of £3.5 million, issued at 72, was obtained in London to consolidate the internal debt and to convert the bonds of 1864. Service on the 1871 loan was suspended in 1876; in 1878 "interest bonds" amounting to £371,520, bearing interest at 1-1/4%, were issued to fund the four unpaid coupons. Simultaneously, interest on the loan of 1871 was reduced from 6% to 2-1/2%, to be resumed at 6% in five years. The terms of the arrangement of 1878 were met in full through 1890. During this period the Government borrowed abroad a total of £17.4 million, of which £3.47 million was used to convert, par for par, old 6% issues into 5% bonds and £11 million to fund the internal debt. In 1891 service was again suspended and a new agreement was reached in accordance with which the outstanding foreign debt of £17.5 million (including interest arrears of £625,572) was converted into a new 3-1/2% Consolidated Debt due 1999, totalling £18.1 million, with repayment premiums ranging from 5% to 15%.

From 1891 to the outbreak of World War I the external debt of Uruguay increased from 78.6 million pesos (£15.9 million) to 121.5 million pesos (£24.6 million) and reached 87% of the total public debt. The external debt consisted mainly of sterling issues held in England with some French franc bonds held in France. All service was consistently met until 1915 when, through an agreement with the British bondholders, all sinking fund payments were suspended. In accordance with agreements reached in 1916, this suspension was continued until one year after the close of World War I.

With regard to the 3-1/2% Consolidated Debt of 1891, however, it was stipulated that, if the customs revenue (45% of which had been pledged as security for the loan) should exceed 17 million pesos in any year, the excess, up to 1% of the outstanding debt, should be applied to the payment of the suspended sinking fund. Payments of the sinking fund were resumed in 1921 and 1922. An additional debt adjustment was made in 1925.

After 1914, Uruguayan financing shifted to the United States' market and, between 1915 and 1930, dollar bonds totalling \$67,757,000 were issued at an average price of 96 with interest rates from 5% to 8%. Proceeds of the \$56,586,000 Republic issues were for acquiring a railway, promoting agriculture, paying and refunding certain indebtednesses, constructing sanitary works, ports, railways, roads and other public works, while \$11,171,000 Montevideo bonds were issued for public utility works, reclaiming land, and for highway and street construction.

II. Period of Default 1930-1938

1. Origins of Default

Interest and amortization payments were met by Uruguay from the final debt adjustment on the 3-1/2% loan in 1925 through 1931. But the world-wide economic crisis and the sharp decline in prices after 1929 had a most serious effect on the economic and financial position of Uruguay. Total exports and imports combined decreased from \$184 million to \$58 million, exports of livestock products and wool alone, the bulk of Uruguay's exports, declining by 71% from \$77 million in 1929 to \$23 million in 1932. Imports were at the same time greatly reduced, but did not drop as sharply as exports in 1931 and 1932.

With the fall in world trade and the almost complete disappearance of incoming foreign capital, an acute situation developed, although it lasted a few years before the service of the foreign debt was affected. The Uruguayan peso depreciated from a gold par of \$1.03 in 1929 to 34 cents in 1931. Exchange control was introduced in 1931, and a moratorium declared on current commercial liabilities. By the end of 1933, the peso had recovered to 75 cents.

On July 15, 1932, new legislation was enacted extending the period for liquidation of commercial liabilities in foreign exchange to the end of 1933. In addition, an Autonomous Amortization Bureau was created to fund foreign exchange liabilities arising out of commercial transactions. This bureau was authorized to issue (up to an equivalent of 15 million gold pesos) bonds in Uruguayan gold pesos or foreign currencies. Bonds were to be applied exclusively to the settlement of commercial liabilities in foreign currencies outstanding July 15, 1932, as defined by the administrative board.

Sinking fund payments on the total Uruguayan external debt were suspended by an act of January 20, 1932, but interest payments were maintained until July 3, 1933, when a law was passed suspending full interest payments on the external debt. The law provided that the interest on external bonds would be deposited in pesos in Montevideo at par of exchange. Due to the depreciation of the peso, bondholders who accepted this had transferred only approximately 60% of the amount of their coupon.

About 55% of the 1932 total National debt of 257 million pesos,

equivalent to approximately U.S. \$200 million,^{1/} was external, the balance consisting of internal debt and two loans classified as "international," which were in effect internal obligations payable in pesos. The public debt had increased by 49% since the end of 1920, largely due to an internal debt increase from 43 million pesos to 111 million pesos in the 12 years. The external debt was only 12% larger than at the end of 1920 and was less than the amount outstanding at the end of 1926, evidence of the growing financial internal strength of the country.

Of the external debt of approximately \$110 million, a substantial part was domestically owned. Up to the period of major default in 1932-33, a considerable portion of the external debt of Uruguay had been repatriated. Domestic banks held, as of December 31, 1932, external bonds of the Government equivalent to 37 million pesos, more than one-fourth of the external debt outstanding at that date. Taking into account the repurchase of external bonds by individuals and institutions other than banks, the amount of Uruguayan external debt actually held abroad in 1932 was probably less than \$80 million. The external bonds held by the local banks at that time consisted of £3,934,000, 58 million French francs and U.S. \$9,700,000.

At the time of default the external debt of Uruguay consisted of five loans payable in pounds sterling, two bond issues stated in sterling, francs and pesos, and four issues of dollar bonds.

Three of the sterling issues were secured by pledge of customs receipts, and the other two by mortgages on governmental railways. One of the multiple

^{1/} Computed by converting the internal and "international" debt at the exchange rate prevailing at the end of 1932 and converting the external debt at par. From the Institute of International Finance publication No. 64, Republic of Uruguay, p. 14.

currency issues was secured by a pledge of custom revenues and one was unsecured. The 5% dollar bond of 1915 was secured by a mortgage on the government railway but the other three dollar issues were unsecured.

In addition to the national Government issues, obligations of the City of Montevideo were also outstanding. The debt of this municipality on December 31, 1932 amounted to 55 million Uruguayan pesos, of which 42 million represented internal obligations and 13 million external obligations. The latter consisted of \$10.4 million U.S. dollar bonds, and £ 0.6 million sterling bonds.

The total foreign debt in 1932 thus amounted to 154 million pesos or approximately \$123 million, of which bonds for \$90 million, at most, were foreign owned.

2. Course of Default

The Council of the Corporation of Foreign Bondholders of Great Britain protested against the law of July 3, 1933 and, for the $3\frac{1}{2}\%$ consolidated debt, obtained a future exemption from it; the Council also obtained a provision for a 15 months scrip, redeemable the first of February 1935, for the unpaid balance due on the coupons of November 1, 1933. In the case of the other loans, the Government agreed that interest payments in foreign currencies up to $3\frac{1}{2}\%$ on the principal should be guaranteed.

The Republic's dollar bonds were treated in a similar way. In 1933 and 1934, the coupons were paid at the rate of 60 to 70% of the amount owing, and subsequent coupons through 1937 were paid at a flat rate of $3\frac{1}{2}\%$ per annum in full payment.

On the Montevideo dollar bonds, interest default occurred in 1932. Conversion of municipal external bonds into peso bonds was authorized in June 1935 but conversion was not compulsory for holders outside of Uruguay. Dollar

bonds in the amount of \$6,415,000 were converted into internal peso bonds. On August 1, 1938 holders of the outstanding \$3,986,500 Montevideo bonds were offered new conversion bonds of Uruguay (see debt adjustment plan discussed later in this report).

Because of the large internal holdings of external bonds, the Government was able to reduce its fixed contractual (interest and amortization) payments in foreign exchange by authorizing, in January 1935, the requisition of all Uruguayan foreign bonds held in the country (exportation of such bonds had been prohibited since June 18, 1931). Certificates were issued to owners of the requisitioned bonds, and payment of coupons attached to such certificates was thereafter made only in Uruguayan currency. In September 1938 the certificates were exchanged for purely internal 5% bonds.

In February 1937 a conversion took place of Uruguay's internal debt, on which sinking fund payments had been suspended since November 1932. A Presidential decree ordered the redemption of all outstanding 6% or 6½% internal bonds of Uruguay and all 6% bonds of the Banco Hipotecario del Uruguay, unless exchanged for equal amounts of new 5% bonds with cash bonus ranging from 1 to 2%. The offer expired March 1937. On April 1, 1937, it was reported that 99.86% of the 6% and 6½% loans had been converted.

3. Final Adjustment of External Debt

National Dollar Bond Exchange Offer: On September 20, 1937 an offer^{1/} was made to the dollar bond holders of external 5's of 1915 due 1952, 25-year sinking fund 8's of 1921 to 1946, external sinking fund 6's of 1926 to 1960, and external sinking fund 6's of 1930 to 1964 to exchange their bonds, on a par for par basis, for new readjustment bonds as follows:

^{1/} Endorsed by the Foreign Bondholders Protective Council Incorporated.

Old Bonds		New Readjustment Bonds						
Amounts Outstanding	Interest %	1938-39 (incl.)		1940-43 (incl.)		From 1944		Due
		Int. %	S.F. %	Int. %	S.F. %	Int. %	S.F. %	
\$ 1,248,000	5	3-1/2	1/2	3-1/2	1	3-1/2	1	1984
44,839,000	6	3-3/4	1/2	4	1	4-1/8	1	1979
6,860,500	8	4	1/2	4-1/4	1	4-1/2	1	1978

Bondholders assenting to this plan were assured against any future bond issue offering more favorable protection than that granted on the bonds issued under this debt adjustment plan.^{1/} At the end of 1948 holders of 97% of the bonds involved had accepted the offer.

City of Montevideo Dollar Bond Exchange Offer: On August 1, 1938 an offer was made to holders of City of Montevideo external bonds, on a par for par basis, as follows:

Old Bonds		New Adjustment Bonds			
Amount Outstanding	Interest %	1938-9	Int. % 1939-43	From 1943	Due
\$2,132,400	6	3-3/4	4	4-1/8	1979
3,112,200	7	3-7/8	4-1/8	4-5/16	1978

All unpaid coupons of the old 6% bonds maturing from November 1932 to November 1937 were paid at the rate of 3-1/2% annually, as follows: \$100 in like conversion bonds, \$87.50 in convertible scrip and \$5 in cash; all unpaid coupons of the old 7% bonds maturing from June 1932 to December 1937 were paid at the rate of 3-1/2% annually, as follows: \$200 in similar conversion bonds and \$10 in cash. By December 31, 1948 it is estimated that holders of 98% of the bonds had assented to the conversion offer.

Sterling and French Franc Loan Offers: After lengthy negotiations with the Council of the Corporation of Foreign Bondholders, a debt adjustment plan

^{1/} A direct obligation of the Republic of Uruguay, which covenants that if it shall hereafter secure any debt by specific lien or charge upon any of its assets or revenues the readjustment bonds shall share in such lien or charge equally and ratably with such debt. For details, see Appendix II.

was recommended for acceptance to the British bondholders. Uruguay made the offer in 1939 to both the holders of National sterling and French franc loans and the City of Montevideo sterling loan as follows: (1) conversion par for par, (2) reduction of interest from 5% and 6% to 3-1/2% per annum, (3) establishment of a 1% to 1-1/2% sinking fund, and, for most loans, (4) a cash bonus of 5% for those who assented to the plan. Details of the plan were:

Old Bonds		New Readjustment Bonds				
Amount		Interest	Amortization			Due
Outstanding			1939-43	From 1944		
	<u>Sterling issues:</u>	%	%	%		
L 12,819,260	3-1/2's, '91	3-1/2%	1/2%	1/2%		1999
164,420	5's, '96	3-1/2	20	--		1943
823,840	5's, '14	3-1/2	1	1-1/2		1978
472,000	5's, '19	3-1/2	1	1-1/2		1978
	<u>French loans:</u>	%	'39-40	'41-43	1944	Due
Fcs. 97,153,000	5's, '05	3-1/2	1/2	1	1-1/2	1979
21,464,000	5's, '09	3-1/2	1/2	1	1-1/2	1979
	<u>Montevideo:</u>	%	Amortization			
L 640,478	6's, '89	3-1/2	%			
			3			

Redemption of assented bonds was to be by purchases on the market, by tender at or below par, or by drawing at par. Holders of all the above bonds, except the 3-1/2's of 1891, were to be paid a cash bonus of 5% in five equal yearly installments. In addition, the Uruguayan Government assumed all responsibility for the City of Montevideo loan.

Since the Council approved the plan, it is likely that practically all of the bondholders have accepted the new low coupon, long maturity bonds although there are no actual figures on the total number who accepted. The time for acceptance, which under the original debt adjustment plan was to expire December 31, 1940, has been extended every year since that time through December 31, 1948:

III. Later Borrowing

There was no private long-term financing by Uruguay in the United States after the early financing discussed above. However, loans have been obtained from the Export-Import Bank. The amount authorized was \$43.7 million, of which \$32.2 million was authorized in 1942 and 1943. However, \$29.2 million has either been cancelled or has expired, leaving \$14.5 million, of which a small amount of \$300,000 has not yet been drawn. As of June 30, 1949 the principal amount outstanding on Export-Import Bank loans was \$13.6 million. These funds were used mainly for hydro-electric development, a small amount for a printing press and the rest for public works projects. Other small governmental credits have also been contracted from the U.S. raising the total commitment to \$15.9 million.

IV. Outstanding External Debt, Interest and Amortization Charges

The outstanding external debt of Uruguay as of January 1949, has been estimated at U.S. \$131 million, on which interest and amortization payments total \$7 million. The debt is distributed as follows:

	Debt		1949 Interest and Amortization				
	Outstanding		January 1949	Payments	As % of dollar		
	Amount	%	Amount	%	and total exports of		
		Distribution		Distribution	1937	1938	1948
	(amounts in thousands)						
<u>U.S. Dollars</u>							
Dollar Bonds	45,697	35.0	2,722	39.6			
U.S. Intergovernment							
Utilized	15,294	11.7	884	12.9			
Unutilized	579	0.4	36	0.5			
Total	15,873	12.1	920	13.4			
<u>Total Dollars</u>	61,570	47.1	3,642	53.0	46.7	165.5	7.2
<u>Sterling (Total)</u>							
In Sterling	17,150		802				
In Dollars	69,072	52.9	3,230	47.0			
<u>Grand Total (in dollars)</u>	130,642	100.0	6,872	100.0	12.4	12.5	3.8

As shown above interest and amortization payments of \$6.9 million amount to only 3.8% of the 1948 Uruguayan exports with the dollar charges of \$3.6 million amounting to 7.2% of the exports of the country to the U. S. While both of these percentages indicate a relatively light debt burden in relation to exports, it is interesting to note that in relation to 1938 the present dollar interest and amortization payments would have been 166%, reflecting the very small amount of exports to the United States of only \$2.2 million in that year. A more favorable export year, 1937, shows this percentage as 47% with total charges equalling 12.4% of total exports.

Of the total dollar bonds with an outstanding par value as of December 31, 1948 of \$45.7 million, \$13.5 million are estimated owned in the U.S. The remainder is either held in Uruguay or in other countries. Since a portion of the dollar bonds are owned in Uruguay,^{1/} the outflow of dollars from that country will be materially under the maximum payments due as set forth in the above table. No ownership data are available on the amount of sterling issues held but it is believed that some of these are also held in Uruguay. It is, therefore, apparent that the actual foreign exchange requirements to meet public external debt service payments are likely to be substantially below that shown above. The balance of payments for 1945 through 1947 show about the equivalent of \$6 million as/annual interest (\$4 million) and amortization (\$2 million) payments.

The external debt service is largely met from the profit accruing to the Government out of the wide spread between the buying and selling rates for foreign currencies. The official buying rate of the Bank of the Republic is

^{1/} It is known that the Bank of the Uruguayan Republic held \$8.2 million of these bonds as of December 31, 1948.

1.5190 pesos per dollar and the "controlled selling rate" is 1.8988 pesos per dollar, giving a spread of 0.3798 pesos per dollar or 25% of the buying rate. Of this, the Bank of the Republic is allowed to keep 1-1/2%, the balance of 23-1/2% accruing to the Government. Since the Bank of the Republic is a Government bank and 80% of its total profits are allocated to the Government, nearly the whole of the exchange profit actually goes to the State. According to legal provisions, the exchange profits are to be allocated first to the servicing of the foreign debt and, secondly, to subsidizing the importation of newsprint. The remainder is allocated to general budgetary needs.

Exchange profits over an eight-year period, 1940-47, accruing directly to the Government (23-1/2%) have amounted to 92.9 million pesos, equivalent to \$49 million. This has been almost sufficient to meet external interest and amortization charges.

Total service payments are expected to increase to a high of \$7.7 million in 1951 and gradually decline to \$5.8 million by 1971, dropping off sharply thereafter to \$3.2 million in 1973, as follows:

External Debt, Interest and Amortization Requirements of Uruguay.
(In thousands of dollars)

Grand Total

	<u>Outstanding</u>	<u>Amortization</u>	<u>Interest</u>	<u>Total Interest & Amortization</u>
1949	130,642	1,961	4,911	6,872
1950	128,471	2,059	4,836	6,895
1951	126,199	2,959	4,744	7,703
1952	123,012	3,016	4,621	7,637
1953	119,761	3,073	4,497	7,570
1954	116,432	3,154	4,373	7,527
1955	113,017	3,245	4,240	7,485
1956	109,490	3,335	4,107	7,442
1957	105,860	3,432	3,967	7,399
1958	101,121	3,525	3,820	7,345
1959	98,274	3,457	3,676	7,133
1960	94,476	3,568	3,528	7,096
1961	90,548	3,687	3,371	7,058
1962	86,273	3,677	3,214	6,891
1963	82,414	3,799	3,055	6,854
1964	78,198	3,802	2,891	6,693
1965	73,955	3,504	2,719	6,223
1966	70,030	3,250	2,573	5,823
1967	66,249	3,395	2,428	5,823
1968	62,338	3,549	2,274	5,823
1969	58,256	3,710	2,113	5,823
1970	54,796	3,844	1,979	5,823
1971	49,582	4,053	1,770	5,823
1972	44,871	3,084	1,588	4,672
1973	41,415	1,758	1,450	3,208

APPENDIX I

External Debt, Interest and Amortization Requirements of Uruguay
(In thousands of dollars)

U.S. Intergovernment Debt

	Dollar Bonds				Requirements on Amounts Outstanding 12/31/48			
	Outstanding	Amortization	Interest	Total Interest & Amortization	Outstanding	Amortization	Interest	Total Interest & Amortization
1949	45,697	819	1,903	2,722	15,294	308	576	884
1950	44,672	862	1,860	2,722	14,986	308	567	875
1951	43,596	906	1,816	2,722	14,679	1,107	549	1,656
1952	42,463	954	1,768	2,722	13,572	1,107	508	1,615
1953	41,270	1,003	1,719	2,722	12,465	1,107	467	1,574
1954	40,016	1,055	1,667	2,722	11,357	1,107	425	1,532
1955	38,696	1,110	1,612	2,722	10,250	1,107	384	1,491
1956	37,308	1,168	1,554	2,722	9,143	1,107	343	1,450
1957	35,850	1,229	1,493	2,722	8,035	1,107	301	1,408
1958	33,314	1,293	1,429	2,722	6,928	1,095	260	1,355
1959	32,697	1,360	1,362	2,722	5,834	924	220	1,144
1960	30,996	1,431	1,291	2,722	4,910	924	184	1,108
1961	29,209	1,506	1,216	2,722	3,986	924	147	1,071
1962	26,992	1,584	1,138	2,722	3,062	924	111	1,035
1963	25,346	1,666	1,056	2,722	2,139	924	75	999
1964	23,263	1,753	969	2,722	1,215	800	39	839
1965	21,073	1,847	875	2,722	415	363	7	370
1966	18,765	1,941	781	2,722	51 1/2	-	-	-
1967	16,340	2,042	680	2,722				
1968	13,786	2,148	574	2,722				
1969	11,102	2,260	462	2,722				
1970	9,088	2,378	344	2,722				
1971	5,336	2,502	220	2,722				
1972	2,179	1,481	90	1,571				
1973	330	95	12	107				

1/ Export-Import Bank loan #333 (\$51,488) now in default - no service requirements projected by Export-Import Bank.

1. It is assumed that all non-assented dollar & sterling bonds will receive the same service as assented bonds.
2. It is assumed that the undisbursed amounts of Export-Import Bank loans will be utilized before expiration.

(Continued on next page)

APPENDIX I (Cont.)

External Debt, Interest and Amortization Requirements of Uruguay
(In thousands of dollars)

U.S. Intergovernment Debt

	Requirements on Amounts Undisbursed 12/31/48				Total Dollar Debt			
	Outstanding	Amortization	Interest	Total Interest & Amortization	Outstanding	Amortization	Interest	Total Interest & Amortization
1949	579	24	12	36	61,570	1,151	2,491	3,642
1950	555	47	21	68	60,213	1,217	2,448	3,665
1951	508	76	19	95	58,783	2,089	2,384	4,473
1952	431	53	17	70	56,466	2,114	2,293	4,407
1953	378	29	15	44	54,113	2,139	2,201	4,340
1954	349	29	14	43	51,722	2,191	2,106	4,297
1955	320	29	13	42	49,266	2,246	2,009	4,255
1956	291	29	11	40	46,742	2,304	1,908	4,212
1957	262	29	10	39	44,147	2,365	1,804	4,169
1958	233	29	9	38	40,475	2,417	1,698	4,115
1959	204	29	8	37	38,735	2,313	1,590	3,903
1960	175	29	7	36	36,081	2,384	1,482	3,866
1961	146	29	6	35	33,341	2,459	1,369	3,828
1962	116	29	4	33	30,170	2,537	1,253	3,790
1963	87	29	3	32	27,572	2,619	1,134	3,753
1964	58	29	2	31	24,536	2,582	1,010	3,592
1965	29	29	1	30	21,517	2,239	883	3,122
1966					18,816	1,941	781	2,722
1967					16,340	2,042	680	2,722
1968					13,786	2,148	574	2,722
1969					11,102	2,260	462	2,722
1970					9,088	2,378	344	2,722
1971					5,336	2,502	220	2,722
1972					2,179	1,481	90	1,571
1973					330	95	12	107

(Continued on next page)

APPENDIX I (Cont.)

External Debt, Interest and Amortization Requirements of Uruguay
(In thousands of dollars)

	<u>Sterling Bonds (in sterling)</u>				<u>Sterling Bonds Expressed in Dollars</u>			
	<u>Outstanding</u>	<u>Amortization</u>	<u>Interest</u>	<u>Total Interest & Amortization</u>	<u>Outstanding</u>	<u>Amortization</u>	<u>Interest</u>	<u>Total Interest & Amortization</u>
1949	17,150	201	601	802	69,072	810	2,420	3,230
1950	16,948	209	593	802	68,258	842	2,388	3,230
1951	16,739	216	586	802	67,416	870	2,360	3,230
1952	16,523	224	578	802	66,546	902	2,328	3,230
1953	16,300	232	570	802	65,648	934	2,296	3,230
1954	16,067	239	563	802	64,710	963	2,267	3,230
1955	15,829	248	554	802	63,751	999	2,231	3,230
1956	15,580	256	546	802	62,748	1,031	2,199	3,230
1957	15,323	265	537	802	61,713	1,067	2,163	3,230
1958	15,058	275	527	802	60,646	1,108	2,122	3,230
1959	14,783	284	518	802	59,539	1,144	2,086	3,230
1960	14,499	294	508	802	58,395	1,184	2,046	3,230
1961	14,204	305	497	802	57,207	1,228	2,002	3,230
1962	13,930	283	487	770	56,103	1,140	1,961	3,101
1963	13,617	293	477	770	54,842	1,180	1,921	3,101
1964	13,324	303	467	770	53,662	1,220	1,881	3,101
1965	13,020	314	456	770	52,438	1,265	1,836	3,101
1966	12,716	325	445	770	51,214	1,309	1,792	3,101
1967	12,392	336	434	770	49,909	1,353	1,748	3,101
1968	12,055	348	422	770	48,552	1,401	1,700	3,101
1969	11,708	360	410	770	47,154	1,450	1,651	3,101
1970	11,349	364	406	770	45,708	1,466	1,635	3,101
1971	10,986	385	385	770	44,246	1,551	1,550	3,101
1972	10,600	398	372	770	42,692	1,603	1,498	3,101
1973	10,201	413	357	770	41,085	1,663	1,438	3,101

APPENDIX II

External Readjustment Sinking
Fund Dollar Bonds^{1/}

(S & P RATING *B)

4-1/2s, due Feb. 1, 1978

Authorized	\$ 6,868,500
Issued	6,558,500
Outstanding (May 4, 1949)..	5,003,500
Retired by S.F.	1,555,000

4-1/2s, due May 1, 1979

Authorized	\$44,839,000
Issued	44,839,000
Outstanding (May 10, 1949).	34,238,500
Retired by S.F.	10,600,500

3-1/2s, due Jan. 1, 1984

Authorized	\$ 1,248,000
Issued	884,000
Outstanding (May 4, 1949)..	583,000
Retired by S.F.	301,000

Note - As of Dec. 31, 1944, \$330,000 of the outstanding 4-1/2s 1978, and \$8,185,000 of the 4-1/2s 1979 were held by the Bank of the Republic.

Purpose of Issue - These bonds were issued, par for par, in exchange for the old dollar bonds of the Republic of Uruguay, in accordance with the provisions of the readjustment plan approved by Law of July 15, 1937.

<u>Readjustment Bonds</u>	<u>Issued in Exchange for</u>
4s - 4-1/2s, 1978 -----	Ext. S.F. 8s, 1946
3-3/4s - 4-1/8s, 1979 -----	Ext. S.F. 6s, 1960 and 1964
3-1/2s, 1984 -----	Ext. Gold 5s, 1915

Security - A direct obligation of the Republic of Uruguay, which covenants that if it shall hereafter secure any debt by specific lien or charge upon any of its assets or revenues the readjustment bonds shall share in such lien or charge equally and ratably with such other debt; but the foregoing shall not be construed as applying to any mortgage which the Republic may create upon any works of industrial or public utility, hereafter purchased or authorized by the Republic, as security for bonds or other obligations which the Republic may issue for the purchase or construction of said works, nor as applying to any local tax

^{1/} Source: Standard & Poor's Corp. records.

which may be created in order to furnish funds for the construction of any roads, railroads, bridges or public utilities.

In case of default in the payment of principal, interest or sinking fund, the bonds shall thereafter be entitled to payment of service, the security, and the benefit of all other provisions of the bond contract relating to the bonds in exchange for which the Readjustment bonds are issued.

As regards the other external loans of the Republic outstanding in pounds sterling and French francs, the Republic declares that the 3-1/2% Sterling Loan, originally issued in 1891 in connection with the readjustment of other outstanding obligations, will continue to receive service at the rate provided in the bonds. In the event that any of the other external loans now outstanding in pounds sterling and French francs, which are loans originally bearing interest at 5% per annum, should receive at any time treatment more favorable with respect to their service than is offered through the present offer to the outstanding 5% dollar bonds, all the readjustment bonds shall have the right to the proportionate increases in service. In addition, if any other privilege which the readjustment bonds do not now enjoy shall in the future be accorded to the external loans outstanding in pounds sterling or French francs in addition to those which said Loans now have the same privileges shall be accorded pari passu to the readjustment bonds.

Offered (4s - 4-1/2s, 1978) on Jan. 1, 1938 to holders of Ext. S.F. 8s, 1946; (3-3/4s - 4-1/8s, 1979) on Oct. 25, 1937 to holders of Ext. S.F. 6s, 1960 and 1964; (3-1/2s, 1984) on Dec. 15, 1937 to holders of Ext. Gold 5s, 1915.

External Conversion Sinking Fund
Dollar Bonds

(S & P RATING *B)

4-1/2s. due May 1, 1979.

Authorized	\$ 2,008,100
Issued	1,986,800
Outstanding (May 10, 1949) ...	1,543,400
Retired by S.F.	443,400

4-1/2s. due Dec. 1, 1978

Authorized	\$ 2,855,400
Issued	2,769,000
Outstanding (May 10, 1949)....	2,165,600
Retired by S.F.	603,400

Purpose of Issue - These bonds were issued par for par in exchange for the City of Montevideo External Sinking Fund 6, 1959, and 7s, 1952, and also in partial settlement of unpaid interest on the bonds in accordance with the

conversion plan approved by Law of January 20, 1938.

<u>Conversion Bonds</u>	<u>Issued in Exchange for</u>
3-3/4s - 4-1/8s, 1979 -----	Montevideo 6s, 1959
3-7/8s - 4-5/16s, 1978 -----	Montevideo 7s, 1952

Security - A direct obligation of the Republic of Uruguay, which covenants that if it shall hereafter secure any debt by specific lien or charge upon any of its assets or revenues the conversion bonds shall share in such lien or charge equally and ratably with such other debt; but the foregoing shall not be construed as applying to any mortgage which the Republic may create upon any works of industrial or public utility, hereafter purchased or authorized by the Republic, as security for bonds or other obligations which the Republic may issue for the purchase or construction of said works, nor as applying to any local tax which may be created in order to furnish funds for the construction of any roads, railroads, bridges or public utilities.

In case of default in the payment of principal, interest or sinking fund, the bonds shall thereafter be entitled to payment of service at the rate provided for the bonds in exchange for which the conversion bonds are issued.

As regards the 5% Sterling Loan of 1889 of the City of Montevideo and the three issues of External Readjustment Sinking Fund Dollar Bonds of 1937 of the Republic, the Republic agrees that if (1) such 5% Loan of the City should be accorded by the Republic more favorable terms than the holders of the Republic's 3-1/2% Readjustment Bonds of 1937 are now entitled to receive, or (2) any of the three issues of the Readjustment Bonds of 1937 of the Republic should be granted more favorable terms than is at present provided therefor, then the conversion bonds shall be entitled *pari passu* to receive proportionately more favorable treatment.

Offered (3-3/4s - 4-1/8s, 1979) on August 1, 1938, to holders of City of Montevideo Ext. S.F. 6s, 1959; (3-7/8 - 4-5/16s, 1978) on August 1, 1938, to holders of City of Montevideo Ext. S.F. 7s, 1952.