Guarantee Agreement

(OSE Modernization & Systems Rehabilitation Project)

between

REPUBLICA ORIENTAL DEL URUGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 15, 2001
GUARANTEE AGREEMENT

AGREEMENT, dated May 15, 2001, between REPUBLICA ORIENTAL DEL URUGUAY (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Administración de las Obras Sanitarias del Estado (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in an amount equal to twenty seven million Dollars ($27,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “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 in Section 1.01 of the Loan Agreement (the General Conditions) constitute an integral part of this Agreement.

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

Guarantee

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

ARTICLE III

Other Covenants

Section 3.01. The Guarantor shall take, or cause to be taken, all action necessary or appropriate to enable the Borrower to perform in accordance with the provisions of the Loan Agreement all the obligations set forth therein, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister of Economy and Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministerio de Economía y Finanzas
Colonia 1089
Montevideo, Uruguay

Cable address: Facsimile:
MINECON (598-2) 9000186
Montevideo, Uruguay
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)
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, Uruguay, as of the day and year first above written.

REPUBLICA ORIENTAL DEL URUGUAY

By

Ariel Daureux

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Myrna Alexander
Acting Regional Vice President
Latin America and the Caribbean
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