Loan Agreement
(Support to Uruguayan Public Schools Project)

between

REPÚBLICA ORIENTAL DEL URUGUAY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 11, 2012
LOAN AGREEMENT

Agreement dated December 11, 2012, between REPÚBLICA ORIENTAL DEL URUGUAY ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of forty million Dollars ($40,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of Article V of the General Conditions, the Operational Manual and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that, the Law No. 18.437 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 Project
Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consist of the following, namely that, any event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that, the Inter-Administrative Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.

5.02. The Additional Legal Matters consist of the following:

(a) the Borrower, through a legal opinion satisfactory to the Bank, indicate that the Inter-Administrative Agreement, has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with the terms of the Inter-Administrative Agreement.

(b) the Project Implementing Entity, through a legal opinion satisfactory to the Bank, indicate that the Inter-Administrative Agreement, has been duly authorized or ratified by, and executed and delivered on behalf of, the Project Implementing Entity and is legally binding upon the Project Implementing Entity in accordance with the terms of the Inter-Administrative Agreement.

5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on March 27, 2014.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Economy and Finance.

6.02. The Borrower’s Address is:

Ministerio de Economía y Finanzas
Colonia No. 1089, Piso 3
Montevideo, Uruguay
Facsimile: 5982 1712 2688

6.03. The Bank’s Address is:
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20430
United States of America

Cable address: INTBAFRAID
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Montevideo, Uruguay as of the day and year first above written.

REPÚBLICA ORIENTAL DEL URUGUAY

By
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the quality, equity and internal efficiency of primary education, through the expansion of the Full-Time School model.

The Project consists of the following parts:

Part 1: Expansion and Rehabilitation of School Infrastructure

1. Expansion of the Full-Time School model through: (a) the construction, transformation and/or rehabilitation of approximately (40) schools located primarily in disadvantaged locations and selected in accordance with the criteria set forth in the Operational Manual; and (b) the acquisition of equipment and education materials for the Full-Time Schools mentioned in (a) herein.

2. Carrying out of preventive and corrective maintenance activities in Full-Time Schools.

Part 2: Strengthening of Learning Systems (In-service Training)

1. Provision of support for the institutionalization of in-service training for pre-school and primary school teachers through the provision of technical assistance to assist the Project Implementing Entity in the establishment of an entity within CEIP to provide, *inter alia*, said training, including, *inter alia*: (a) the provision of technical assistance for the design and implementation of in-service training activities; and (b) the carrying out of remodeling activities of CEIP facilities to permit the operation of the entity mentioned herein, including the acquisition of equipment for such entity.

2. Provision of in-service training for pre-school and primary school teachers of Full-Time Schools and APRENDER Schools through, *inter alia* (a) the development and implementation of in-service training courses for teachers; (b) the development and implementation of training courses for trainers providing the courses mentioned in (a) herein; and (c) the acquisition of goods required therefor.
Part 3: Monitoring, Evaluation and Project Management

1. Provision of technical assistance to: (a) manage and coordinate the execution of the Project; and (b) monitor and evaluate the Project.

2. Carrying out studies on education policy (under terms of reference acceptable to the Bank), including, inter alia: (a) impact evaluation studies on the expansion of the Full-Time School model; (b) a tracer study of Full-Time School graduates; (c) studies on causes of grade repetition and low school attendance among young students; and (d) an analysis on the use of existing school-based information in order to establish an early warning system for students at risk of grade failure.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Inter-Administrative Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the loan available to the Project Implementing Entity, under a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank (the “Inter-Administrative Agreement”).

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

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework.

Section II. Project Monitoring, Reporting and Evaluation

A. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

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Section III. Procurement

All goods, works, non-consulting services and consultants’ services required for the Project to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 1 to the Project Agreement.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works for Parts 1.1, 2 and 3 of the Project</td>
<td>27,609,132</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods for Parts 1.1, 2 and 3 of the Project</td>
<td>3,580,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training for Parts 1.1, 2 and 3 of the Project</td>
<td>3,218,860</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(4) Consultants' services and Operating Costs for Parts 1.1, 2 and 3 of the Project</td>
<td>5,492,008</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>100,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>40,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Condition; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed eight million Dollars ($8,000,000) equivalent may be made for payments made prior to this date but on or after August 1, 2012 (but in no case more than one (1) year prior to the date of this Agreement), for Eligible Expenditures.

2. The Closing Date is May 31, 2017.

Section V. Other Undertakings:

The Borrower shall take all necessary actions to enable the Project Implementing Entity to comply with its obligations under the Project Agreement.
**SCHEDULE 3**

**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15 Beginning on February 15, 2028 through August 15, 2032</td>
<td>9.09%</td>
</tr>
</tbody>
</table>

| On February 15, 2033 | 9.10% |

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

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3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
APPENDIX

Section I. Definitions


2. “APRENDEr Schools” means a preschool/primary school in the territory of the Borrower which benefits from extra support from ANEP, such as training, and materials and are listed in the Borrower's Circular No. 453 of November 29, 2010.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “CEIP” means the Project Implementing Entity’s primary education council (Consejo de Educación Inicial y Primaria).


6. “Environmental and Social Management Framework” means the Borrower’s framework, dated June 15, 2012 and July 23, 2012, acceptable to the Bank, published in the Project Implementing Entity’s website on June 15, 2012 and July 23, 2012, and included in the Operational Manual, which sets forth, inter alia: (a) the applicable institutional and regulatory environmental framework governing the Project; (b) the guidelines for carrying out the environmental/social screenings/assessments for the carrying out of Project activities; and (c) the procedures to mitigate, prevent and manage environmental and social impacts associated with the carrying out of Project activities, as said framework may be amended from time to time with the prior agreement of the Bank.

7. “Full-Time School” means a preschool/primary school in the territory of the Borrower that operates seven and a half hour shifts on a daily basis; and “Full-Time Schools” means any Full-Time School.

9. "Inter-Administrative Agreement" means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank, and such term includes all schedules to said Inter-Administrative Agreement.

10. "ISO" means International Organization for Standardization; an international-standard-setting body composed of representatives from various national standards organizations which issues world-wide proprietary industrial and commercial standards for products.

11. "Law No. 13.437" means Ley No. 18.437, General Law of Education (Ley General de Educación) of the Borrower, dated December 12, 2008, published in the official gazette (Diario Oficial) on January 16, 2009; as such law has been amended to the date of this Agreement.

12. "Operating Costs" means the reasonable expenditures (other than consultants services) incurred by the Borrower or the PCU in connection with the implementation of the Project including, inter alia: rental and maintenance of equipment and vehicles; rental of office facilities, office utilities, supplies and materials, and domestic travel, which expenditures would not have been incurred absent the Project.

13. "Operational Manual" means the Project Implementing Entity’s manual dated July 20, 2012, acceptable to the Bank and referred to in Section I.A.1 of Schedule 1 to the Project Agreement, as said manual may be amended from time to time with the prior written agreement of the Bank.

14. "PCU" means the Project coordination unit established in the Project Implementing Entity, pursuant to the Project Implementing Entity's Resolution No. 57 (February 2, 1994), and ratified through Resolution No. 35 (October 27, 1998) and Resolution No. 40 (December 27, 2001) for the execution of the Project.


16. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated July 20, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. "Project Implementing Entity" means the Borrower's national administration of public education (Administración Nacional de Educación Pública) established pursuant to the Borrower's Law No. 15.739 of March 28, 1985.

18. "SEPA" means Sistema de Ejecución de Planes de Adquisiciones, the Bank's publicly accessible Procurement Plans Execution System.

19. "Training" means the reasonable expenditures incurred by the Borrower or the PCU for the carrying out of training activities under the Project, including, inter alia, reasonable costs of travel, subsistence, rental of training facilities, per diem for trainers and trainees, registration fees and training materials.