

**AGREED MINUTES OF NEGOTIATION
BETWEEN THE REPUBLICA ORIENTAL DEL URUGUAY
AND
THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
FOR THE PROPOSED TRANSPORT INFRASTRUCTURE MAINTENANCE AND
RURAL ACCESS PROJECT**

1. Negotiations for a proposed Loan of US\$ 70 million for the proposed Uruguay Transport Infrastructure Maintenance and Rural Access Project (the Project) were held in Montevideo, Uruguay, with a videoconference link with Washington DC, between 12th and 15th of April , 2005, between a delegation of the Republica Oriental del Uruguay (the Borrower), and the International Bank for Reconstruction and Development (the Bank). The Borrower's delegation was integrated by the representatives listed in Annex 1 to these minutes.
2. The Bank's team included: Jorge Rebelo, Task Manager (LCSFT), Andres Pizarro, Co-Task Manager (LCSFT), Daniel Pulido, Junior Professional, (LCSFT), Reynaldo Pastor, Senior Counsel (LEGLA), Morag Van Praag, Senior Finance Officer (LOAG3), Miguel Navarro Martin, (BCFBD), Luis de la Plaza, (LCSFF) and Antonio Blasco, Financial Management Analyst (LOAAS).
3. The draft Loan Agreement (the LA), the draft Implementation Letter (including its annexes), both dated April 7th, 2005, and the draft Subsidiary Agreement between the Borrower, through the Ministry of Transport and Public Works (MTO) and the Corporacion Vial del Uruguay (CVU), dated April 8th, 2005, were discussed and reviewed. A revised agreed version of said documents dated April 14th, 2005 is hereby attached as Annexes 2, 3 and 4 to these minutes, respectively).
4. These minutes are not a complete record of the negotiations but are intended to reflect the main understandings reached between the Borrower and the Bank and to identify the principal modifications agreed in arriving at the April 14th, 2005 version of the LA, and Implementation Letter cited above. Such understandings and modifications are indicated in the paragraphs that follow.
5. **Subsidiary Agreement.** It was agreed that given that Part A.2 of the Project represents about 27% of the Project cost, that the Subsidiary Agreement be signed prior to the commencement of any works under said Part of the Project, instead of signing said Subsidiary Agreement by effectiveness. It was also agreed that the legal opinion or opinions acceptable to the Bank, providing that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and CVU and that said agreement is legally binding for the Borrower and CVU in accordance with its terms will, be presented to the Bank after the signing of the same but prior to the commencement of any works under Part A.2 of the Project (see Section 3.04 (b) of the LA).
6. **Loan characteristics** .(a) The financial term of the Loan were discussed and the following agreements were reached:



IBRD financial product:	Fixed-Spread Loan (FSL) with principal repayments linked to commitments.
Currency:	United States Dollars
Interest rate:	Maintain as a variable rate, consisting of 6 months LIBOR, and a spread that will be fixed at the time of signing.
Repayment Terms:	Payable in 15 years, including 5 years grace period with equal annual repayment schedule and level principal repayment on each April 15 and October 15 respectively.

(b) The Borrower's choice of the FSL is based on the fact that the FSL allows the Borrower to manage adequately loan repayment conditions, currency exchange risk and variations of the interest rate. The FSL allows the Borrower to calculate the financial cost of the Loan more accurately than the Variable Spread Loan does. The Borrower's choice of loan financial terms is summarized in the worksheet attached to these minutes (Annex 5).

(c) The Borrower, by signing these minutes, confirms that the Loan choices selected by the Borrower and spelled out in the worksheet of Loan financial terms attached as Annex 5 of these minutes are fully consistent with the Bank's amortization schedule report attached as Annex 6 to these minutes and reflected in sub paragraph (a) above.

7. **Effectiveness conditions.** It was agreed that the signing of the Subsidiary Agreement between the Borrower, through, MTOP and CVU will not be an effectiveness condition, as explained in paragraph 5 above. As a result, Article VII, and section 3.04 of the LA were modified accordingly.

8. **Operational Manual.** Section 3.06 (a) (i) requires the Borrower to approve, no later than two months after effectiveness, an Operational Manual, acceptable to the Bank, that describes *inter alia* the functions and activities of the PCU relative to the project. It was agreed to increase the time to three months after effectiveness, to allow more preparation time for this document.

9. **Financial covenants and Project Audits.** It was agreed that the Tribunal de Cuentas (the Borrower's Audit Supreme Institution) will carry out the Project audits as provided in Section 4.01 (b) of the LA as long as the Tribunal de Cuentas meets the criteria of independence, quality, capacity and timeliness in the opinion of the Bank. It was also agreed that the Financial Monitoring Reports (FMR) would be furnished quarterly after the first one which is due after the first semester. Thus, Section 4.02 (b) was modified accordingly.

10. **Pari-passu and retroactive financing.** It was agreed that a pari-passu of 70% - 30% overall and for each expenditure category would be used. The maximum retroactive financing ceiling agreed is 20% of the Loan (please see Part A.2 of Schedule 1 to the LA). Both of these percentages are within the boundaries of Country Financing Parameters approved for Uruguay on April 5th, 2005.

11. **Procurement.** During negotiations: (i) an acceptable Procurement Plan dated April 13, 2005 for the first 18 months of Project implementation was presented to the Bank and is attached as

Annex 7; and (ii) it was agreed that annual updates of the Procurement Plan shall be submitted for the Bank's no objection. Said updates shall reflect the progress made in the carrying out of the project procurement processes up to 15 days prior to the date of submission. Said updates will also incorporate the procurement activities that the Borrower plans to initiate during the next 12 months. Without limitation to these annual updates, the Borrower should also submit an updated Procurement Plan prior to the introduction of any substantial modification to the approved Procurement Plan with the following exceptions: (a) the hiring of individual consultants; and (b) the procurement of goods by shopping, provided that: (i) none of the contracts under (a) or (b) are subject to Bank prior review and (ii) the aggregate amount for both (a) and (b) are below the amounts agreed for that purpose in the Procurement Plan previously approved by the Bank.

12. **Disbursements.** The Financial Management Staff of the Bank explained and gave the corresponding documents to the Borrower relative to the new disbursement method using the Financial Monitoring Reports (FMR). As a result, the Borrower chose a Report-based Disbursements option. Example documents are include in Annex 8.

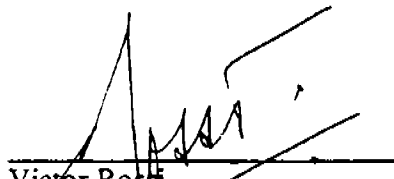
13. **Front-End-Fee (FEF).** It is understood, that if the proposed Loan is presented to the Board before July 1, 2005, the applicable FEF will be 0.5%. If the Loan is presented to the Board on or after July 1, 2005, the FEF will revert back to an amount equal to 1% of the Loan Amount unless a subsequent waiver has been approved by the Board.

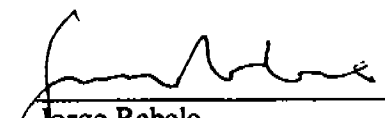
14. **Disclosure of the PAD.** The Borrower confirmed agreement with the Bank's draft PAD dated April 6th, 2004, with the changes agreed during negotiations and found it acceptable for release to the public, in accordance with Bank policies and procedures

15. **Board date for the Project.** The Bank team informed the Borrower delegation that the Project is currently expected to be presented to the Bank's Board of Directors on June 7th, 2005.

16. **Acceptance of Project Documents.** Prior to distributing the package to the Board, the Bank will need to receive, by no later than April 29th, 2005 : (a) a letter from the Minister of Economy and Finance ratifying the terms of the Loan Agreement, Implementation Letter and Minutes of Negotiation; and (b) a letter from the Minister of Economy and Finance designating the expert for Uruguay to the Statutory Committee (a sample letter is attached herewith as Annex 9).

Montevideo, Uruguay, April 15th 2005


Victor Rossi
Minister
Ministry of Transport
and Public Works


Jorge Rebelo
Task Team Leader
World Bank

- Annex 1 - List of Participants
- Annex 2 - Draft Loan Agreement, Dated April 14th, 2005
- Annex 3 - Implementation Letter (and Annexes)
- Annex 4 - Draft Subsidiary Agreement between MTOP and CVU, Dated April 14th, 2005
- Annex 5 - Loan Worksheet
- Annex 6 - Amortization Schedule Report
- Annex 7 - Procurement Plan, Dated April 14th, 2005
- Annex 8 - Example of Financial Monitoring Report
- Annex 9 - Example of Letter designating the expert for Uruguay to the Statutory Committee



Annex 1
List of Participants

Ministerio de Transporte y Obras Públicas

Ministro - Sr. Victor Rossi

Subsecretario - Ing. Luis Lazo

Director Gral - Esc. Gustavo Fernández

Asesoría Financiamiento Exterior – Director: Dr. Naume Goldberg

Area Banco Mundial – Directora: Cra. Isabel Martínez

Area Banco Mundial - Arq. Rafael Ferrando

DNV Directora - Ing. Susana García

DNV - Ing. Cristina Carlomagno

DNV - Ing. Gabriel Luongo

DNV - Ing. Marcelo Krugman

DNV - Ing. Ana Inés González

DNH - Director Ing. Edi Juri

DNH - Ing. Carlos Colom

DNH - Ing. Daniel Ramos

Ministerio de Economía y Finanzas

Cr. Ricardo Gómez

Cr. Pedro Buonomo

Oficina de Planeamiento y Presupuesto

Director - Cr. Carlos Viera