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URUGUAY

CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE PRODUCTIVE RURAL ROAD IMPROVEMENT PROGRAM

(UR-O1150)

SECOND INDIVIDUAL OPERATION UNDER THE CCLIP: PRODUCTIVE RURAL ROAD IMPROVEMENT PROGRAM II

(UR-L1190)

LOAN PROPOSAL

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ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
CGN	Contaduría General de la Nación [General Accounting Department]
DDIP	Decentralization and Public Investment Department
EIRR	Economic internal rate of return
ENPV	Economic net present value
NCB	National competitive bidding
OPP	Oficina de Planeamiento y Presupuesto [Office of Planning and Budget]
PNCDR	Plan Nacional de Caminos Departamentales Rurales [National Plan for the Departmental Rural Road Network]
TCR	Tribunal de Cuentas de la República [National Audit Office]
UNASEV	Unidad Nacional de Seguridad Vial [National Road Safety Unit]
VOC	Vehicle operating cost
VTT	Value of travel time

PROJECT SUMMARY

URUGUAY

CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE PRODUCTIVE RURAL ROAD IMPROVEMENT PROGRAM (UR-O1150)

SECOND INDIVIDUAL OPERATION UNDER THE CCLIP: PRODUCTIVE RURAL ROAD IMPROVEMENT PROGRAM II (UR-L1190)

Financial Terms and Conditions				
Borrower:			**Flexible Financing Facility**[a]	
Eastern Republic of Uruguay			**Amortization period:**	24.5 years
Executing agency:			**Disbursement period:**	5 years
The borrower, through the Office of Planning and Budget (OPP)			**Grace period:**	6 years[b]
			Interest rate:	SOFR-based
			Credit fee:	[c]
Source	**Amount (US$)**	**%**	**Inspection and supervision fee:**	[c]
IDB (Ordinary Capital):	80,000,000	80	**Weighted average life:**	15.25 years
Local:	20,000,000	20	**Approval currency:**	U.S. dollar
Total:	100,000,000	100		

Project at a Glance
Objective of the CCLIP: To help raise productivity through rural road construction, improvement, rehabilitation, and maintenance, as well as to improve mobility and freight and passenger transportation services under the jurisdiction of the departmental governments (paragraph 1.30). **Objective of the second operation:** The general objective of this second operation under the CCLIP is to provide reliable access to services and markets for the rural population and for forestry and agroindustrial products, and the specific objectives are: (i) to improve the service quality of departmental market roads; and (ii) to improve the execution of public expenditure allocated to provide departmental road infrastructure services (paragraph 1.31).
Special contractual conditions precedent to the first disbursement of the loan proceeds: The borrower, through the executing agency, will submit evidence of the following: (i) approval and entry into force of the program Operating Regulations (optional link 4), which will include, among other elements, the environmental and social requirements, and will incorporate, as annexes, the environmental and social management system, the environmental and social management framework, the environmental and social management plan, and the environmental and social action plan, under the terms and conditions previously agreed upon with the Bank; and (ii) appointment of the core staff mentioned in paragraph 3.2 (paragraph 3.9). **Special contractual conditions for execution:** Before execution of the Component 1 activities and works to be carried out by a departmental government, the borrower, through the executing agency, will submit evidence of the signing and entry into effect of the applicable framework participation agreement mentioned in paragraph 3.4, under the terms and conditions previously agreed upon with the Bank (paragraph 3.10). See other socioenvironmental conditions precedent to the first disbursement and execution in Annex B to the environmental and social review summary (required link 3).
Exceptions to Bank policies: None.

Strategic Alignment			
Challenges:[d]	SI ☐	PI ☒	EI ☐
Crosscutting themes:[e]	GE ☒ and DI ☐	CC ☒ and ES ☒	IC ☒

[a] Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

[b] Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

[c] The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the corresponding policies.

[d] SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

[e] GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

1.1 **Conditional Credit Line for Investment Projects (CCLIP) (UR-O1150).** In 2017, the Board of Executive Directors of the Inter-American Development Bank (IDB) approved a CCLIP to support the Government of Uruguay in financing the Productive Rural Road Improvement Program (UR-O1150), for up to US$450 million (US$300 million to be financed by the IDB and the remaining US$150 million by the local counterpart).[1] At the same time, it approved the first operation, bearing the same name, under that CCLIP (3791/OC-UR)[2] for US$130 million (US$75 million in IDB financing and US$55 million from the local counterpart). This document presents the second operation under the CCLIP for consideration.

1.2 With this CCLIP, the national government proposed to rehabilitate and adapt the subnational road infrastructure to the new reality in terms of demand, thereby also enhancing the productivity of the forestry[3] and agroindustrial sectors. To do so, it increased investment over historical levels and made changes to the traditional management and financing instruments. Accordingly, the CCLIP was designed to address the departmental governments' financing and technical assistance needs progressively and flexibly and provide for solid, ongoing institutional strengthening over the medium and long terms.

1.3 **The road network.** Uruguay's road network is made up of approximately 50,000 km of roads. Of those, 8,777 km form the national road network, which connects the country's capital with the department capitals and main border crossings. This national road network, under the jurisdiction of the National Roads Authority of the Ministry of Transportation and Public Works, provides for the flow of merchandise and persons around the country. The country's other approximately 40,000 km of roads form the departmental road network, which is under the jurisdiction of the departmental governments and consists primarily of urban and rural roads.

1.4 Of the approximately 40,000 km of departmental roads, 12,000 km are particularly important to the economy, because they serve as routes for moving agricultural goods to the national road network and connect the departments' smaller towns and rural communities. Regarding the country's total and rural population, Uruguay was home to 3.42 million people in 2021, of whom 4.4% (approximately 150,000) lived in rural areas. Uruguay has been urbanizing over time, with the share of rural dwellers declining from 15% in the 1980s to 8% in 2000 and 4% in 2021.[4]

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1 Resolution DE-87/16.

2 The CCLIP and loan contract for the first operation were signed on 8 December 2017.

3 The Uruguayan forestry sector does not clear native forest but rather works exclusively with cultivated forests of eucalyptus and, to a lesser extent, pine, to produce and export wood pulp and sawn lumber (*Uruguay XXI*, 2021).

4 World Bank.

1.5 **Institutional structure and financing of the departmental governments.**[5] The departmental governments are responsible for managing the departmental road network. To do so, they rely on funding and technical support from the national government. Since the 1997 amendment of the Constitution of the Republic, Uruguay has been gradually decentralizing public spending by increasing transfers from the national to departmental governments. Accordingly, the departmental governments now receive the funds provided for in Articles 214[6] and 298 of the Constitution for development of the country's interior. In addition, and more recently, an incentive fund for the municipal governments and a fund for departmental road development were established in the national budget.[7] The Office of Planning and Budget (OPP) is responsible for assisting the executive branch of the national government with formulating development plans and programs and with planning the decentralization policies. In turn, the Sectoral Committee on Decentralization, chaired by the OPP and made up of representatives of the Congress of Governors and of the competent ministries, proposes plans for decentralization and advises on the portion of the national budget to be allocated to each departmental government.

1.6 **General condition of the departmental road network.** The sector diagnostic assessment that led to approval of the CCLIP and the first operation under it (3791/OC-UR), and which is maintained for this operation, gave an account of the strong growth in forestry and agricultural production in Uruguay over the past decade and of the immediate consequences on demand for overland transportation of goods by truck. This type of transportation increased significantly and heightened the need for the country to invest in improving and maintaining its highways.[8] **Increase in freight volume and impact on road infrastructure.** Between 2002 and 2015, truck traffic increased significantly, and the volume of freight transported over the road network grew by a cumulative annual 10%,[9] reaching over 30 million tons per year (more than 60% of which were agricultural goods and roundwood[10]). In addition, the development of the forestry industry and the steady increase in bulk exports has created new freight traffic origin and destination patterns, as goods are moved from the rural interior to the demand and export centers on the country's coast, driving the need for a transportation infrastructure that can handle high freight volumes. This increase in traffic also occurred on the departmental rural road network, where nearly 800 km of roads began to see intensive traffic (more than 30 loaded trucks per day), primarily

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5 Uruguay has three levels of government: national, departmental, and municipal.

6 These funds increased from 1.1% of the total national budget in 2014 to 3.33% for fiscal years 2021-2024.

7 Execution of projects with this appropriation is conditional on their being at least 30% financed with the departmental governments' own resources. According to the Observatory of the Uruguayan Territory, from 2017 to 2022 transfers from the national government to the departmental governments to improve departmental rural roads averaged US$28 million per year.

8 Various technical reports, including the sector note prepared by the Bank, estimated that US$2 billion would be required over five years to improve and maintain the country's road infrastructure, including the national road network and the departmental road network under departmental jurisdiction.

9 *Asociación Uruguaya de Caminos*, 2017.

10 Country Program Evaluation: Uruguay 2016-2020.

carrying timber. Another 13,000 km of roads are experiencing moderate traffic (more than 10 loaded trucks per day) transporting timber and agricultural goods.

1.7 **Insufficient investment and deterioration of departmental road infrastructure.** These changes in the country's agroindustrial sector put more pressure, in terms of transit conditions and road maintenance, on departmental rural roads and highways, whose geometric and structural design were not adapted to the new volume and composition of traffic.[11] Meanwhile, spending on road maintenance was not adjusted to address the new circumstances, and as a result, the efforts made by the national and departmental governments have been insufficient to maintain the departmental rural roads and highways.[12] Various technical reports have estimated that over US$300 million will be needed in each of the 2020-2024 and 2025-2029 five-year periods for rehabilitation and maintenance of the departmental rural road network.[13]

1.8 **Weak departmental investment planning.** The departmental governments' shortcomings in management were diagnosed with approval of the first operation under the CCLIP. These issues impacted their ability to fund and execute road infrastructure works and made it particularly difficult for them to prioritize the departmental rural roads needing improvement, select the most efficient technical standards, and plan investments.

1.9 **National government strategy.** In this context, the national government adopted the strategy of improving and adapting the country's road infrastructure, national highways, and departmental rural road network to meet the new demand requirements (paragraph 1.6), making progress on: (i) significantly increasing the budget (paragraph 1.5); (ii) developing new financing mechanisms by increasing private sector participation;[14] and (iii) improving management tools.

1.10 Specifically, for the departmental rural road network, the national government: (i) increased its five-year transfers by 90%, bringing the amount to an estimated US$150 million for the 2015-2021 period when combined with the departmental government contributions (paragraph 1.1); (ii) helped plan the investment in the departmental rural road network in order to ensure spending would be prioritized appropriately (paragraph 1.11); and (iii) sought to ensure maintenance of the investment.

1.11 **Planning of the departmental road network.** Notably, the planning process, carried out jointly by the OPP and the departmental governments with the Bank's

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[11] Typically, the roads that need work have narrow carriageways (5-6 m), no shoulders, granular surfaces, and poor drainage, and are in a general state of disrepair.

[12] Pérez, M. and Pereyra, A., 2020.

[13] Idem.

[14] A public-private partnership program focused on road infrastructure was developed. The roads financed and executed under this partnership were the more expensive and more technically complex ones, all under the jurisdiction of the Ministry of Transportation and Public Works. That said, a public-private partnership cannot be used to service the departmental rural roads because: (i) the amounts executed by each departmental government are too small to justify the structuring costs; (ii) the limited technical complexity of the works does not provide a challenge for which the private sector could provide significant contributions beyond the public works projects; and (iii) the technology involved in the departmental rural road works complicates the transfer of risk to private agents in service-level agreements.

technical and financial support,[15] resulted in the National Plan for the Departmental Rural Road Network (PNCDR), made up of 19 departmental road programs. This national plan serves as a long-term planning tool for managing the departmental road network.[16]

1.12 **Execution of the first operation under the CCLIP.** Execution of the first operation under the CCLIP (3791/OC-UR) got off to a slower start than was originally planned, owing to the complexity of the initial participatory planning process (paragraphs 1.11 and 1.14). According to the midterm evaluation for this first operation, as of June 2020 (the planned midpoint of the disbursement period), only 15% of operation funds had been disbursed. In the second half of the planned disbursement period, the pace of execution picked up significantly, but even so the date for the final disbursement had to be pushed back by one year.[17] The OPP intensified its monitoring of the departmental governments that needed more attention in an effort to shorten the project cycles and provided strong support for the preinvestment process.

1.13 As of 31 December 2022, the first operation under the CCLIP had disbursed 67% of the loan proceeds and earned a score of satisfactory in the project monitoring report (PMR). And 97% of departmental rural roads to be serviced under the program had been rehabilitated (428 km of the planned 440 km), and an average of 6,500 km of roads were being maintained per year, well above the program target.

1.14 **Lessons learned.** Execution of the first operation made it possible to identify several lessons being taken into account in the design of this second operation, as shown below (Table 1).

Table 1. Lessons learned

Main lessons learned	Incorporation in the program design
The departmental governments have varying technical capacities, which affects their ability to properly contract road infrastructure works.	The program will group projects and contract design and preinvestment centrally, without compromising the departmental governments' jurisdiction or responsibilities.
The decentralized jurisdiction over departmental rural roads leads to variability in the design criteria used.	The program will establish standardized design criteria, including climate change adaptation elements.
Idiosyncratic differences were found in the different departmental governments' contracting processes.	A standardized bidding document that will simplify the rules of participation in the competitive processes will facilitate program execution.

15 The support was provided through technical-cooperation operation ATN/OC-15631-UR, approved in 2016 for US$716,000 and executed by the OPP. This operation also financed the studies required to initiate execution of the loan and activities to strengthen the OPP's and departmental governments' technical capacities.

16 To this end, efforts were coordinated with the departmental governments to: (i) identify suitable technical and economic solutions; (ii) systematize quality information on physical and financial execution; and (iii) train human resources to manage, design, direct, and supervise departmental rural road works.

17 The final disbursement is currently scheduled for 23 December 2023.

Main lessons learned	Incorporation in the program design
The Productive Rural Road Improvement Program paved works had to meet a higher standard than the one typically called for by the departmental governments (unpaved), sometimes requiring supervision capacities that the departmental governments were unable to provide.	The program will establish minimum mandatory conditions for the supervision of works (assigned staff, testing, and reporting to the OPP) to improve the quality of the executed works.
The national government execution agreements with the departmental governments require the latter to contribute, to works projects, 30% of what the national government has contributed under the program. In some cases, the departmental governments did not have such funds available, delaying the start of execution in the first operation.	The national government will expand the potential sources of funds that the departments can use for their counterpart contributions.
Program funds were assigned to departments based on the percentages previously agreed upon in the Congress of Governors. This was shown to limit program execution when several departments did not execute their works and other departments were unable to tap into the unused funds.	In the second operation, program funds that departmental governments have not committed by the third year of execution may be used by other departments.
The first operation's launch was relatively slow due to the: (i) initial planning process for prioritizing the investments; and (ii) novelty of executing by contracts rather than by force account.	The second operation works were identified during preparation of the PNCDR. In addition, resources from the first operation are being used to commission the work designs needed to execute the second operation funds in their entirety.

Source: Prepared by the authors.

1.15 **Program to Develop and Strengthen Fiscal and Subnational Services Management (PDGS) II.** In addition to this CCLIP, the OPP is also executing the PDGS II,[18] which is the second individual operation under a CCLIP whose objective is to improve the departmental governments' fiscal and public investment management. Both Component 2 of the PDGS II[19] and this operation will benefit from support and technical assistance intended to strengthen execution and climate sustainability commitments, through training for the OPP and the departmental governments, and gender equality commitments, through the establishment of technical guidelines for incorporating gender and diversity criteria into the design of investment projects. In addition, Component 1 of the PDGS II will provide US$5.4 million for the institutional strengthening of the departmental governments.

1.16 This second Productive Rural Road Improvement Program operation under the CCLIP will continue to finance investments in productive departmental rural road

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[18] Operation 5668/OC-UR, for which the contract is pending signing, was approved on 23 November 2022 with a five-year disbursement period.

[19] This component consists of various investments in the departmental rural road network for departmental development, for a total of US$99,385,689.

infrastructure,[20] with an improved design based on the lessons learned in the first operation (paragraph 1.14). It includes more ambitious objectives with regard to ensuring project quality and addresses the Bank's institutional strategy crosscutting issues of gender and diversity and climate change. The IDB will be financing investments in infrastructure and actions to strengthen the departmental governments through both CCLIPs (the PDGS and the Productive Rural Road Improvement Program) (paragraph 1.15), which were designed and are being executed in a coordinated manner, meaning that many actions to strengthen institutions and address crosscutting issues are consistently planned for the two operations together.

1.17 With the CCLIP being the ideal modality for providing ongoing support for implementation of the PNCDR, this second operation seeks to take another step forward in designing, delivering, and maintaining the departmental rural road network to ensure the desired road quality. This will require coordinated action by the national government (through the OPP) and the 19 departmental governments, each with their own roles and responsibilities. The following improvements, developed based on the lessons learned from the first operation, will be introduced for execution of this second one: (i) the design criteria and bidding documents for the works will be standardized; (ii) minimum standards will be established for supervision of execution of the works, to include a permanent staff, testing, and execution reports; and (iii) a core team responsible for analyzing information on the works projects will be established in the OPP to provide early warnings that will make it possible to correct quality issues during execution and generate information on the effectiveness of the construction techniques by region of the country, materials used, construction companies, etc.

1.18 **Road maintenance.** Like the first operation, this second program will finance maintenance of departmental rural roads with local counterpart funds. It includes sufficient funds to maintain the roads included in both the first and second operations under the CCLIP.[21] Furthermore, and as part of the OPP's support for improving the departmental governments' capacities, the program will finance a maintenance management system that will be made available to the departmental governments.[22] This system is a technology tool for managing personnel, materials, and machinery, as well as work orders for projects in each departmental rural road network. In addition to facilitating management of the departmental funds allocated to upkeep, the maintenance management system will make it possible to estimate maintenance costs and keep a record of interventions carried out over the infrastructure's life cycle.

1.19 **Climate change.** In recent years, Uruguay has experienced extreme weather events more often than in the past. Specifically, there have been greater volumes of and more concentrated precipitation in short periods, triggering larger and more

[20] The first operation under the CCLIP called for the rehabilitation of 440 km of roads included in the PNCDR. This second operation will continue supporting the PNCDR, rehabilitating an additional 350 km.

[21] The total amount of funds to be transferred by the national government for maintenance does not decrease, but in this second operation under the CCLIP only a portion of those funds will be considered as local counterpart.

[22] The departmental governments currently maintain the departmental rural roads by force account.

frequent floods and temporary collapses of departmental rural roads. This has led to greater demand on hydraulic works (culverts and bridges) and for pavement maintenance, as well as to longer periods during which the roads cannot be used to move people and goods. To address this, the projects financed in the first operation expanded the capacity of hydraulic works like culverts and bridges vis-a-vis pre-existing ones and included related slope protection and earthmoving works, as well as paving to protect road surfaces. These investments were all intended to improve resilience to the effects of climate change. The second operation will continue with the same intervention strategy and will perform more in-depth studies to perfect the techniques for designing projects and planning road maintenance, pursuant to the best possible forecasts of climate change in the region. Meanwhile, technical-cooperation resources[23] are being used to hold training sessions and identify the studies needed to strengthen the OPP's capacities for prioritizing future projects, taking into account the climate vulnerability of the areas of intervention (optional link 2).

1.20 **Road safety.** Starting in 2011, the vehicular accident rate began to decrease, to 70.8 accidents per 10,000 vehicles in 2021, a drop of 40%. The mortality rate also decreased, to 12.2 deaths per 100,000 inhabitants in 2021, 27% fewer than in 2011. As for geographical distribution, in 2021, 53% of fatalities occurred in departmental jurisdictions, versus 47% in national ones.[24] Despite these improvements, Uruguay did not reach the target set in the Global Plan for the Decade of Action for Road Safety[25] of reducing road accident fatalities by 50% in the 2011-2020 period. In the new Decade of Action for Road Safety (2021-2030), the National Road Safety Unit (UNASEV)[26] is taking part in the new global plan and has once again committed to reducing road accident deaths by at least 50% by 2030. This program's design will support actions intended to mitigate the potential negative effects of increased freight traffic on road safety, by addressing the lack of horizontal and vertical signage on dangerous curves, strengthening program supervision during execution of the road safety measures, and validating compliance with contracts.

1.21 **Digitization.** In the past few decades, the Bank has helped set the stage for the digital transformation in Uruguay by providing support for digital government, digital health, cybersecurity, and closing the digital divides in education and road management. This second operation will promote the development and use of information and communications technologies to improve infrastructure adaptation and enhance resilience to climate change, through a: (i) pilot to identify and monitor flood-prone areas; (ii) pilot for controlling weight on departmental rural roads to prevent overloading; (iii) maintenance management system for the departmental rural road network; and (iv) works management system and systematization of predictive maintenance tests (paragraph 1.14).

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23 ATN/OC-18144-RG.

24 *UNASEV 2021: Segundo Informe de Gestión y Estadística de Siniestralidad Vial*.

25 United Nations, 2021.

26 UNASEV was created in 2007 to regulate and control traffic- and road-safety-related activities throughout the country.

1.22 **Gender.** In the construction sector, barely 3.6% of jobs are held by women; in transportation and storage, 17.7% are.[27] Most men working in the road sector (88.7%) are manual laborers, compared with most women (59.9%), who are administrative workers. Women who perform operational tasks work in cleaning (39%), as laborers in public works projects and maintenance (34%), in landscaping (14%), and as construction supervisors (13%). Notably, women are not found to hold executive or management positions in the road sector, although they do hold 11% of such positions in the construction sector. This operation, complementing the activities carried out in the first operation under the CCLIP to promote gender equality in the road sector as well as the actions planned for the PDGS II (paragraph 1.15), will foster women's inclusion in the labor market by: (i) designing and implementing a training process for women in areas of value to the road sector; and (ii) strengthening the departmental governments' gender units (optional link 3).

1.23 **Competitive fund.** The PNCDR includes interventions on departmental rural roads located in two different departmental government jurisdictions. In terms of functionality, these roads are no different from the ones targeted under the Productive Rural Road Improvement Program. However, because of the legal situation, the departmental governments concerned lack incentives to take responsibility for improving them.[28] Accordingly, the program provides for a competitive fund to finance interdepartmental roads, with a view to providing additional funds beyond those already allocated to each departmental government in order to incentivize execution of these works.[29] The resource allocation criteria will be defined with the OPP and the Congress of Governors by the end of the first half of 2024 and will be included in the program Operating Regulations (optional link 4).

1.24 The competitive fund may also be used to finance works whose funding structure is shared by the public and private sectors. For roads that primarily benefit only a small number of producers, agreements can be reached to share funding and even operational responsibilities; such agreements tend to ensure the invested funds are used more efficiently. Bank studies[30] explore some potential institutional structures for these agreements, without prejudice to the possibility of structuring the shared funding in other ways. The competitive fund is meant to provide an incentive for private-sector participation to expedite works that are not provided for in the five-year plan.

1.25 **Rationale.** The national government proposed to rehabilitate Uruguay's road infrastructure and adapt it to the new levels of demand (paragraph 1.6), with a view to increasing productivity in the forestry and agriculture sectors. To do so, it planned to raise investment above historical levels and introduce changes to

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27 *Estadísticas de género 2021* of the Ministry of Social Development, based on the Continuous Household Survey 2021.

28 Works on rural roads shared by two departments must be contracted by only one of them. As a result, the contracting department receives less value on the total investment, inasmuch as some of its funds will be used for works that will also benefit a different department.

29 The competitive fund is also expected to finance 4% of the works on the departmental rural roads.

30 *Financiamiento de la conservación de caminos productivos de Uruguay* (IDB, 2015).

traditional management and financing tools. The CCLIP is enabling it to progressively and flexibly address the departments' financing and technical assistance needs (paragraphs 1.7 and 1.8) with a financial tool suitable for supporting the country in implementing the PNCDR (paragraph 1.17) and progressively improving the quality of the processes involved in the delivery of infrastructure, to improve efficiency in the use of public funds. The second operation under the CCLIP will provide the financing for the second five-year period of investments included in the planning process consolidated during the first operation, while supporting improvements in other aspects of the investment process, to ensure quality in the design and execution of the road works and improve maintenance management.

1.26 The logic of the intervention[31] assumes that the road improvements will bring freight vehicle operating costs down, and that this will translate, at least partially, into lower road transport prices if the transportation market is competitive. Bank studies[32] confirm that the road freight market is reasonably competitive, and consequently it is to be expected that lower transportation costs will lead to a drop in prices, which are borne by the agroindustrial, forestry, and other industries. In addition, tightening design criteria to make roads more climate resilient will ensure connectivity in the targeted regions, benefiting both the local population and local production by shortening the periods of time in which locals do not have access to health and education services and when products cannot be brought to market. Furthermore, insofar as the infrastructure is provided by the State, public institutions' capacities for planning, designing, contracting, executing, and maintaining it are decisive for making public spending more efficient.[33] In the first operation under the CCLIP, significant progress was made on improving planning; the second operation should improve execution, within the context of decentralized contracting. While the competitive fund explores the possibility of private sector funding, the program addresses territorial aspects equitably, reaching all departments.

1.27 **Bank experience in the sector.** As this second individual operation under the CCLIP preserves the essence of the first one (3791/OC-UR), the Bank has experience in the decentralized execution of the works and with the specific, practical details of the local legal framework, which will facilitate its oversight of execution. In addition, the Bank has experience preparing and executing this type of project in the region, notably in operations 3600/OC-PR, 3587/OC-PE, and 5620/OC-ES, which affords it knowledge of the diversity of solutions that can be applied to similar problems. It also has experience specifically in Uruguay with national road network projects, including the Program to Improve Road Corridors for Agroindustry and Forestry I and II (4824/OC-UR and 5429/OC-UR), which supports rehabilitation of the secondary network under the jurisdiction of the Ministry of Transportation and Public Works, and the Road Infrastructure

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[31] The rural roads project logical framework discussed in To Pave or Not to Pave (World Bank, 2021) is used as a reference.

[32] *El mercado de transporte carretero de cargas en Uruguay* (IDB, 2022).

[33] Supervision of the execution process will be continuously monitored to ensure that the requested technical specifications are met at each construction stage.

Program II (2677/OC-UR, 2677/OC-UR-1, 2677/OC-UR-2, and 2677/OC-UR-3), giving it a broad perspective of the country's road transportation network and the complexity thereof. In addition to its experience with road network projects, the Bank has also executed projects that support decentralization in Uruguay as well as the sustained strengthening of the departmental governments, notably the most recent Programs to Develop and Strengthen Fiscal and Subnational Services Management (2668/OC-UR, 3792/OC-UR, and 5668/OC-UR, approved in 2011, 2016, and 2022, respectively) (paragraph 1.15). This experience has allowed the Bank to address the full universe of financing provided by the national government to the departmental governments.

1.28 **IDB Group Country Strategy with Uruguay.** The IDB Group Country Strategy with Uruguay 2021-2025 (document GN-3056) supports the Government of Uruguay's plan to achieve inclusive, sustainable growth. This program aligns with the strategy specifically through the following strategic objectives: (i) improve productive and resilient infrastructure, by improving infrastructure quality; (ii) generate efficiencies and sustainability in public policies, by improving the efficiency of current expenditure on road maintenance; (iii) increase innovation, by increasing private sector investment in innovation through the planned concessional fund; and (iv) support the most vulnerable population groups, by promoting the participation of women in nontraditional jobs. The operation also contributes to the strategic areas of sustainable productive development and equity and social inclusion. Furthermore, through actions to improve the management of rural roads, the program aligns with the crosscutting issues of: (i) gender (paragraph 1.22); (ii) environmental sustainability and climate change (paragraph 1.19); and (iii) innovation and digital transformation (paragraph 1.21).

1.29 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2020-2023 (AB-3190-2), as it aligns with the development challenge of productivity and innovation by reducing the cost of transporting goods and supporting the development of information and communications technologies (paragraphs 1.21 and 1.33). It also aligns with the following crosscutting areas: (i) gender equality, by promoting the inclusion of women in nontraditional jobs; (ii) climate change and environmental sustainability, by increasing the resilience of departmental rural roads and reducing farmers' climate vulnerability; and (iii) institutional capacity and the rule of law, by seeking to improve management of rural roads. In addition, it will contribute to the Corporate Results Framework 2020-2023 (GN-2727-12): (i) roads built or upgraded; and (ii) value of investments in resilient and/or low-carbon infrastructure. The operation is aligned with the IDB Group Climate Change Action Plan 2021-2025 (document GN-2848-9), due to its support for institutional changes and climate resilience in the road infrastructure works projects. It is estimated that 30.97% of operation funds will be invested in climate change adaptation and mitigation activities, according to the joint methodology of the multilateral development banks, thereby contributing to the IDB's climate financing target. Moreover, based on the information available, the project team considers the operation to be aligned with the Paris Agreement mitigation and adaptation objectives, as explained in the climate change annex hereto (optional link 2); (iii) women beneficiaries of economic empowerment initiatives; and (iv) agencies with strengthened digital technology and managerial capacity. The operation is also consistent with: (i) the Strategy of Sustainable

Infrastructure for Competitiveness and Inclusive Growth (GN-2710-5); and (ii) the following sector framework documents: (a) Transportation (GN-2740-12); (b) Gender and Diversity (GN-2800-13); and (c) Climate Change (GN-2835-10).

B. Objectives, components, and cost

1.30 **Objective of the CCLIP.** The objective of the CCLIP is to help raise productivity through rural road construction, improvement, rehabilitation, and maintenance, as well as to improve mobility and freight and passenger transportation services under the jurisdiction of the departmental governments.

1.31 **Objective of the second operation under the CCLIP.** The general objective will be to provide reliable access to services and markets for the rural population and for forestry and agroindustrial products. The specific objectives will be: (i) to improve the service quality of departmental market roads; and (ii) to improve the execution of public expenditure allocated to provide departmental road infrastructure services.

1.32 **Component 1. Rural road rehabilitation and maintenance (IDB: US$79,525,000; local counterpart: US$20,000,000).** This component will finance: (i) geometric and structural upgrading of roads and engineering works;[34] (ii) special and routine maintenance of roads and engineering works; (iii) commissioning of works-related studies and designs; (iv) contracting of works supervision; and (v) the competitive fund (paragraph 1.23).

1.33 **Component 2. Support for improving rural roads management (IDB: US$275,000).** This component will finance: (i) design and implementation of a maintenance management system (paragraph 1.18); (ii) training for women in areas of value for the road sector and strengthening of the departmental governments' gender units through training and outreach (paragraph 1.22); (iii) design and implementation of technology pilots to digitize management of road use and climate change adaptation; (iv) capacity-building within the OPP and the departmental governments for planning and managing the departmental rural road system; and (v) a study on the implications of climate change for the rural road maintenance strategy, which will be gradually incorporated into the program.

1.34 **Audit and evaluation (IDB: US$200,000).** The program will finance the external program audits and the evaluation activities provided for in the respective plan.

C. Key results indicators

1.35 **Expected outcomes.** The main program outcomes are as follows: (i) fewer days when the departmental rural roads are impassable; (ii) improved departmental rural road service quality (reductions in freight vehicle operating cost (VOC) and average value of travel time (VTT) on roads targeted by the program); and (iii) improved execution of public expenditure on delivery of departmental road infrastructure services (as measured by degree of completion of road programs).

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34 Here, "engineering works" refer to all lesser structures involving drainage, watercourses, and grade separation, including culverts, lined ditches, small bridges, and pipes.

1.36 **Economic evaluation.** The economic evaluation (cost-benefit analysis) of the works in the sample[35] was performed using the Highway Development and Maintenance Model 4 (HDM-4), the standard methodology in the sector. This methodology quantifies the economic benefits by comparing them with the overall savings in transportation costs (VOC and VTT) and with the savings generated in road maintenance costs. The economic analyses of the projects in the sample yielded economic internal rates of return (EIRR) higher than the discount rate of 7.5% used by the OPP's National Public Investment System to evaluate the departmental rural roads. The sensitivity analysis demonstrates the project's robustness in the face of adverse scenarios such as a 20% increase in the cost of investment, a 20% reduction in benefits, and a combination of a 15% increase in the cost of investment and simultaneous 15% reduction in benefits, with the EIRR greater than 12% for the representative sample set. Extrapolating the analysis of the representative sample to the program as a whole yields an estimated EIRR of 18.3% and economic net present value (ENPV) of US$40.33 million (optional link 1).

Table 2. EIRR and ENPV of the representative sample[36]

Project	Length (km)	Investment (US$ millions)	Base case scenario				Sensitivity analysis		
							Costs +20%	Benefits -20%	Costs +15% Benefits -20%
			EIRR	ENPV (US$ millions)	Min. EIRR	Max. EIRR	EIRR	EIRR	EIRR
Representative sample	**161.9**	**46.395**	**18.30%**	**18.65**	**10.90%**	**44.20%**	**15.30%**	**14.70%**	**13.50%**

Source: Prepared by the authors.

1.37 **Beneficiaries.** The main beneficiaries of the program will be the agroindustrial[37] and forestry[38] companies (paragraph 1.6) that transport around 20 million tons of goods per year,[39] and the rural population (paragraph 1.4), consisting of the approximately 30,000 people who live adjacent to the departmental rural roads in the PNCDR (optional link 7). The national government and the 19 departmental governments will also benefit, given the planned improvement in management of the departmental rural road network, as will women, based on the program's promotion of their participation in the labor market (paragraph 1.22).

35 The US$20 million of local counterpart funds for maintenance are not taken into account in the economic analysis of the representative sample, since they finance maintenance of the departmental road network as a whole and contribute to the total funds transferred by the national government to the departmental governments (paragraph 1.18).

36 Exchange rate: Ur$40 for each US$1.

37 49,400 companies in 2020 (*Informe sectorial agronegocio*, 2020).

38 1,700 companies in 2021 (*Sector Forestal en Uruguay*, 2021).

39 *El mercado de transporte carretero de cargas en Uruguay* (IDB, 2022).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 **Modality.** This second operation of the CCLIP will be an investment loan under the multiple works program modality. It will finance projects that must adhere to the eligibility criteria established in accordance with the representative sample. The operation complies with the guidelines found in the operational manual for multiple works programs (PR-202), since: (i) it involves physically similar but independent projects that can be executed individually provided they adhere to the eligibility and prioritization criteria established for the program; (ii) the feasibility of each project does not depend on the execution of the other projects; and (iii) the size and number of projects do not warrant direct management.

2.2 **Cost and financing.** The total program cost is US$100 million, of which the Bank will finance up to US$80 million through the second operation loan, from the Bank's Ordinary Capital, and the local counterpart will contribute US$20 million. The itemized budget is included in the multiyear execution plan and annual work plan (required link 1). The program's disbursement period will be five years.

Table 3. Program costs (US$)[40]

Components	IDB	Local	Total	%
Component 1. Rural road rehabilitation and maintenance	**79,525,000**	**20,000,000**	**99,525,000**	**99.52**
1.1 Geometrical and structural upgrading of roads and engineering works	71,250,000	-	71,250,000	71.25
1.2 Competitive fund	5,775,000	-	5,775,000	5.78
1.3 Commissioning of works-related studies and designs	1,000,000	-	1,000,000	1.00
1.4 Contracting of works supervision	1,500,000	-	1,500,000	1.50
1.5 Special and routine maintenance of roads and engineering works	-	20,000,000	20,000,000	20.00
Component 2. Support for improving rural roads management	**275,000**	**-**	**275,000**	**0.28**
2.1 Incorporation of information and communications technologies with a climate change perspective, and incorporation of the gender perspective in project evaluations	275,000	-	275,000	0.28
Audit and evaluation	**200,000**	**-**	**200,000**	**0.20**
Total	**80,000,000**	**20,000,000**	**100,000,000**	**100.00**

Source: Prepared by the authors.

2.3 Due to the characteristics of the works, the timeline for the material start to the projects included in the program will be four years counted from the entry into effect of the loan contract.[41]

[40] The costs for the main lines of activity within each component are indicative.

[41] The remaining program term will be long enough to execute the contracted works since they are minor works with an average execution time of less than one year.

2.4 **Disbursement schedule.** The disbursement period has been set for five years starting from the entry into effect of the loan contract. The operation's financing schedule is shown in Table 4.

Table 4. Planned disbursements (US$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	13,833,967	12,763,283	13,263,500	24,152,250	15,987,000	80,000,000
Local	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	20,000,000
Total	17,833,967	16,763,283	17,263,500	28,152,250	19,987,000	100,000,000
Cumulative %	18%	35%	52%	80%	100%	100%

Source: Prepared by the authors.

2.5 **Representative sample.** A representative sample of projects was analyzed for program evaluation and implementation purposes. The projects in the sample accounted for over 40% of the total program cost and included 161.9 km of departmental rural roads located in 9 of the country's 19 departments. Pre-project engineering plans, economic analyses (optional link 1), and environmental and social assessments (required link 3) were available for the projects in the sample. In addition, 21 other projects were identified as highly likely to be included in the program. Located in 14 of the country's 19 departments, these potential projects are all included in the PNCDR (paragraph 1.11) (optional link 6). Furthermore, like the projects in the representative sample, these ones also comply with the eligibility criteria for works (paragraph 2.6) and have the same physical characteristics (paragraph 2.7).

2.6 **Works eligibility criteria.** To be eligible for the program, works must: (i) be included in the PNCDR; (ii) be for rural roads under departmental jurisdictions with 70% of their length outside urban or potential urban development areas; (iii) change or improve the geometric or structural standard of the road or engineering works; (iv) involve technical solutions resulting from a technical and economic evaluation that assessed the specific project and the maintenance plans based on previously defined criteria; and (v) not be classified as category "A" projects or other projects automatically excluded based on the environmental and social management framework (paragraph 2.11).

2.7 Essentially, the works will involve existing structures, and any geometric modifications will always be carried out within the right-of-way. The program will also include signage and road safety works in projects involving high-traffic roads, projects where upgrading the pavement would lead to a higher risk of accidents, and projects on urban thoroughfares. The departments will maintain the rehabilitated infrastructure in accordance with the maintenance strategy designed for each road in the PNCDR. Execution will be by force account, using the departments' own equipment and human resources, or through contracts with the private sector, for which the OPP's professional engineering team will provide technical support.[42]

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[42] Maintenance management is expected to improve with adoption of the maintenance management system (paragraph 1.18).

B. Environmental and social risks

2.8 In accordance with the Bank's environmental and social policy framework and the existing information, this program was classified as a Category "B" operation, as it will involve upgrading and/or rehabilitating existing rural roads and the construction activities will have temporary, isolated, medium- to low-impact social and environmental impacts typical of this type of work project, for which effective mitigation measures are available. The main impacts would occur during the construction stage and are associated with air pollution from emissions of gases and particulate matter; noise due to the use of machinery and equipment; water and soil pollution resulting from incorrect disposal or malfunctions in the effluent and solid waste management systems; landscape modification for the works; and difficulties accessing public services and infrastructure, homes, and businesses due to traffic disruptions. Furthermore, wild animals may flee the area or be run over as a result of the machinery and the increased freight traffic on the roads. Five representative sample projects are located within a critical habitat but will not have significant impacts. No impacts on Indigenous peoples are foreseen. The representative sample projects did not entail any physical and/or economic displacements, and neither are they expected to require easements or the procurement of land.

2.9 The operation's environmental and social risk classification is substantial and associated with the potential direct impact of the rehabilitation and/or improvement works on critical habitats, occupational health and safety risks, the community, and the country's cultural heritage. The executing agency has experience executing these types of projects with the Bank, but its organizational structure needs to be strengthened with socioenvironmental specialists to manage the operation pursuant to the requirements established in the environmental and social policy framework.

2.10 The operation's climate change and disaster risk classification is moderate, since the representative sample projects: (i) are located in areas categorized as having a moderate threat of natural events like earthquakes, extreme rainfall or winds, and flooding; (ii) exhibit medium levels of vulnerability and criticality, since the complexity of the rural roads' physical characteristics is moderate; and (iii) do not have major impacts on the environment. The operation projects are not expected to exacerbate the risk of natural hazards or the vulnerability of the communities or the environment.

2.11 To comply with the requirements established in the environmental and social policy framework, the executing agency has developed: (i) an environmental and social management system for the program; (ii) an environmental and social management framework for future projects; and (iii) an environmental and social analysis and environmental and social management plan for the representative sample projects; the analysis and plan are both included in the environmental and social management system. The environmental and social management framework includes the following exclusion criteria: Category "A" projects that will have a significant or moderate impact on critical habitats; significant impact on natural habitats; significant impact on cultural sites; significant physical and/or economic displacement impact; or negative impact on indigenous peoples; and projects classified as having a high risk of natural disasters and climate change, or

high environmental and social risk. The draft versions of these documents (environmental and social management framework, environmental and social analysis/environmental and social management plan, and stakeholder participation plan) were published on the Bank's website on 24 February 2023, before the analysis mission.

2.12 The program consultation, which included the representative sample projects, was held on 27 April 2023. The attendees' main questions on administrative issues addressed the following aspects: procedure for evaluating the maintenance of the roads targeted in the first operation under the CCLIP; procedure for prioritizing the roads to be targeted; availability of the bidding documents for review; classification of the works included in the program (engineering works); execution of the funds (OPP and IDB); and procedure for weight limit controls on the targeted roads. The final versions of the environmental and social management system, environmental and social management framework, environmental and social analysis/ environmental and social management plan, and consultation report were published on 9 May 2023.

C. Fiduciary risks

2.13 The OPP has extensive experience in Bank-financed projects, and the operation's overall fiduciary risk is therefore considered to be low. One medium-high risk was identified during program preparation: if the Uruguayan General Accounting Department, National Audit Office, and departmental governments took longer than one month to respond, including for delivery of receipts, it would be impossible to execute the planned payments as per the financial planning schedule. Consequently, the documentation needed to substantiate advances would not be submitted to the Bank on time. This will be mitigated by allowing flexibility in the percentage of balances of advances pending substantiation for which supporting documentation must be submitted. In addition, the OPP will consider the involvement of the General Accounting Department, National Audit Office, and departmental governments in the payment planning exercise for the program.[43] The fiduciary team will continue to identify and manage risks during execution.

D. Other key issues and risks

2.14 Three medium-high risks, respectively associated with internal processes, the political climate, and the institutional environment, were identified: (i) if three years into the program a departmental government has not published the calls for bids for the works planned in the operation, that department would have no contracts for its entire share of the funds, meaning the program may not be executed on time; (ii) if new departmental government authorities are elected, the prioritization of rural road projects may change, which could lead to delays in execution of the works; and (iii) if a departmental government has weaknesses in its management capacity or in the design and execution of works, it might not deliver the works on time and to standard, which would lead to delays in execution. The following mitigation actions have been identified: (i) the program Operating Regulations (optional link 4) will include a clause according to which any departmental

[43] In general, a financial plan will be made for 12 months, and supporting documentation will be submitted for at least 50% of cumulative balances pending substantiation.

government may execute funds during the operation period; (ii) the departmental road programs will be kept up to date, and the OPP will, in turn, commission final designs for bundles of roads; and (iii) the OPP may commission the preparation of designs and contract the works supervision teams as appropriate to address management weaknesses in the departmental governments that need assistance.

2.15 **Works certification and transfer of resources to the departments.** The departmental governments, through their respective works agencies, will draw up a document to certify physical progress and financial settlement corresponding to each work. The OPP will transfer funds to the departmental governments for monthly payments for procurement items certified and reviewed by the Decentralization and Public Investment Department (DDIP).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

3.1 **Borrower and executing agency.** The borrower will be the Eastern Republic of Uruguay. The executing agency will be the borrower, acting through the Office of Planning and Budget (OPP).

3.2 The OPP will handle program coordination and administration, performing the tasks specified in the program Operating Regulations (optional link 4). The core staff to be appointed in the OPP for the program will include, at least, the necessary program coordinators.

3.3 The departmental governments will be subexecuting agencies for the program. For Component 1, their responsibilities include: (i) developing and commissioning the preinvestment studies and completing the project designs in line with the regulations in force and the methodological guides approved to that end, taking into account the environmental, gender, and diversity policies as applicable; (ii) carrying out the bidding processes; (iii) contracting the works and providing technical direction; (iv) making the respective payments, submitting accounting reports to the OPP for resources received, and preparing financial reports as requested; and (v) upholding proper maintenance standards for program investments. In addition, for Component 2, the departmental governments will participate in the planned implementation actions.

3.4 The departments' participation in the program will be formalized when they sign framework participation agreements (paragraph 3.10) with the executing agency, in which they state that they are familiar with the loan contract under which the program is being financed and pledge to adhere to the conditions set out in the various program documents, including the program Operating Regulations (optional link 4). The framework participation agreements will include the departmental governments' obligations to: (i) submit reports to the executing agency accounting for the funds received and prepare financial reports as requested; (ii) maintain proper accounting and financial records; (iii) properly file supporting documentation for contracts and expenditures made with the loan proceeds and counterpart resources; and (iv) maintain separate and exclusive accounts for managing program resources and the departmental contribution.

3.5 Component 1 will be executed mainly by the departments, under the supervision of the OPP. The departments will engage consulting services for project design and works supervision, where necessary. They will also issue calls for bids and pay contractors. The competitive fund (paragraph 1.23) will be executed by the OPP and/or the departmental governments according to the rules of operation and criteria for allocation of resources established in the program Operating Regulations (optional link 4). All of the above will be done based on procedures agreed upon with the OPP and set forth in the program Operating Regulations (optional link 4).

3.6 Component 2 will primarily be executed by the OPP, acting in a centralized way to coordinate the action and content with the organizations involved and the departmental governments.

3.7 The departmental governments will submit projects that fulfill the technical, economic, financial, institutional, and environmental eligibility criteria established in the program Operating Regulations (optional link 4); coordinate various public and private stakeholders in the target zone; generate economic and social returns; and comply with current environmental regulations. For projects to be eligible, they must receive the approval of the OPP and the no objection of the Bank.

3.8 **Program Operating Regulations.** Program execution will adhere to program Operating Regulations that define operational aspects with regard to technical, environmental, fiduciary, and financial matters, etc. The program Operating Regulations will be similar to the ones governing the first operation under the CCLIP, with the necessary adaptations arising from the second operation loan contract agreements, and at a minimum will include the following: (i) coordination and reporting mechanism for the executing agency and the departmental governments; (ii) requirements for project submission and eligibility; and (iii) rules of operation and criteria for allocation of the competitive fund resources (optional link 4).

3.9 **As special contractual conditions precedent to the first disbursement, the borrower, through the executing agency, will submit evidence of the following: (i) approval and entry into force of the program Operating Regulations (optional link 4), which will include, among other elements, the environmental and social requirements, and will incorporate, as annexes, the environmental and social management system, the environmental and social management framework, the environmental and social management plan, and the environmental and social action plan, under the terms and conditions previously agreed upon with the Bank; and (ii) appointment of the core staff mentioned in paragraph 3.2.** The first condition is necessary since the program Operating Regulations will specify the operational aspects of execution and will harmonize the procedures to be followed by the executing agency. The second condition is necessary to ensure that the OPP will be prepared to start and carry out program execution with a suitable team.

3.10 **As a special contractual condition for execution, before execution of the Component 1 activities and works to be carried out by a departmental government, the borrower, through the executing agency, will submit evidence of the signing of the framework participation agreement discussed in paragraph 3.4, under the terms and conditions previously agreed upon**

with the Bank. This condition is necessary to ensure that the departmental governments will participate as program subexecuting agencies as established in the loan contract, program Operating Regulations (optional link 4), and other program documents.

3.11 **Fiduciary agreements and requirements.** The guidelines for financial management and procurement execution that will apply to the program are explained in Annex III.

3.12 **Procurement.** Works, goods, and consulting services will be procured in accordance with the "Policies for the procurement of works and goods financed by the IDB" (document GN-2349-15) and the "Policies for the selection and contracting of consultants financed by the IDB" (document GN-2350-15) or the national procurement system if so indicated in the procurement plan and under the conditions applicable to the use of country government procurement systems. To date, the operation does not include plans to procure solar panels. If needs change during the execution cycle, measures to mitigate and prevent the use of forced labor in the solar panel supply chain will be included. The procurement plan contains a breakdown of the procurements to be implemented during execution, as well as the procedures the Bank will apply to review them.

3.13 **Disbursements and audit.** Disbursements will mainly be carried out under the advance-of-funds modality, or another modality established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12). Advances of funds will be made according to a financial plan that will cover the project's real liquidity needs for up to 12 months. Except for the first advance of funds, all subsequent advances will be processed when supporting documentation has been provided for at least 50% of the total cumulative balances pending substantiation. The OPP will use the National Single Account to manage the funds. The OPP will submit the program's annual and final audited financial statements in accordance with the terms and deadlines required by Bank policy. The financial statements may be audited by an independent audit firm or by the National Audit Office.

3.14 **Direct contracting.** Two direct contracting processes are planned, in line with points (c) and (d) of paragraph 3.11 of document GN-2350-15, which permit the use of noncompetitive methods for services for very small amounts (less than US$100,000) and when the consulting firm has experience of exceptional worth for the assignment. These processes will be used to contract very specific pilot projects, worth US$50,000 each, and will involve a survey and prior identification of potential consulting firms in the market with the capacities to implement the pilots in the framework of incorporation of technology under Component 2.

3.15 **Maintenance.** Through the executing agency, the borrower will adopt the measures necessary to ensure that the program works and goods are appropriately maintained, in accordance with generally accepted technical standards (paragraph 1.18), and will submit semiannual reports on the condition of these works and goods. Notably, the national government currently transfers specific budget appropriations to the departmental governments for maintenance of the departmental road network (paragraph 1.18).

B. Summary of arrangements for monitoring results

3.16 The aim of the monitoring and evaluation plan (required link 2) is to track program implementation, the completion of proposed activities, and physical and financial execution of outputs. The plan includes monitoring of three main elements: (i) program administration and control; (ii) activities and outputs; and (iii) the results thereof. The monitoring system will include the procurement plan, multiyear execution plan, annual work plan, results matrix, progress monitoring report, and risk management plan. The executing agency will submit, to the Bank, a midterm evaluation of the program in the form of a project completion report (at 36 months into the effective period of the loan or after 50% of the disbursements have been made, whichever comes first).

3.17 The proposed evaluation methodology will be ex ante and ex post, which will consist in measuring baseline indicators before the project and results indicators after the interventions have been implemented in each department, and in comparing the measurements to determine whether targets have been met. There will also be an ex post economic evaluation of the program.

IV. ELIGIBILITY CRITERIA

4.1 **Compliance with eligibility criteria for the second individual operation under the CCLIP UR-O1150.** This operation was prepared in compliance with the eligibility criteria for a second CCLIP operation established in Annex VI to document GN-2246-7 and the corresponding CCLIP in effect. In accordance with paragraph 3.12 of document GN-2246-13, the borrower has not asked to apply the new eligibility criteria set forth in Annex III to document GN-2246-13 to this second operation.

4.2 Thus, this program complies with the eligibility criteria set forth in the policy applicable to the CCLIP instrument for a second individual loan operation, since: (i) the operation falls under the sectors and components defined under the credit line; (ii) the operation is included in the country program;[44] (iii) the executing agency is the same as that of the first operation under the CCLIP, and its performance level in the areas financed by the CCLIP has not deteriorated; (iv) the execution performance of the current operation under the CCLIP is satisfactory, according to the 31 December 2022 progress monitoring report (PMR), and the development objectives are expected to be achieved; (v) the operation in execution has disbursed 67% of funds as of 31 December 2022; (vi) the borrower and the executing agency have fulfilled the contractual conditions of the loan contract and complied with the Bank's disbursement and procurement policies; and (vii) the financial and operational reports have been prepared and presented according to schedule and demonstrate an acceptable level of quality.

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[44] Document GN-3154-1.

Development Effectiveness Matrix		
Summary	UR-L1190	
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	**-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law**	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	**-Roads built or upgraded (km) -Women beneficiaries of economic empowerment initiatives (#) -Value of investments in resilient and/or low-carbon infrastructure ($) -Agencies with strengthened digital technology and managerial capacity (#)**	
2. Country Development Objectives		
Country Strategy Results Matrix	**GN-3056**	**(i) Improve productive and resilient infrastructure; (ii) Generate efficiencies and sustainability in public policies; (iii) Increase innovation; and (iv) Support the most vulnerable population groups**
Country Program Results Matrix	**GN-3154-1**	**The intervention is included in the 2023 Operational Program.**
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	**7.5**	
3.1 Program Diagnosis	**1.9**	
3.2 Proposed Interventions or Solutions	**1.6**	
3.3 Results Matrix Quality	**4.0**	
4. Ex ante Economic Analysis	**7.0**	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	**1.5**	
4.2 Identified and Quantified Benefits and Costs	**0.0**	
4.3 Reasonable Assumptions	**2.5**	
4.4 Sensitivity Analysis	**2.0**	
4.5 Consistency with results matrix	**1.0**	
5. Monitoring and Evaluation	**9.5**	
5.1 Monitoring Mechanisms	**4.0**	
5.2 Evaluation Plan	**5.5**	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	**Low**	
Environmental & social risk classification	**B**	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	**Yes**	**Financial Management: Budget, Treasury, External Control. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.**
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	**Yes**	**The bank is financing studies on: Economic evaluation of representative sample projects; and Environmental impact study, among others.**

Evaluability Assessment Note:

This US$100mm multiple works project, the second operation of a conditional credit line for investment projects (CCLIP), has the general objective of provide reliable access to services and markets for the rural population and for forestry and agro-industrial production. It proposes as specific objectives: (i) improve the quality of service of productive departmental roads; and (ii) improve the execution of public spending to provide departmental road infrastructure services. The original diagnosis of the CCLIP was clear, it described the strong growth in forestry and agricultural production since 2010, and its immediate consequence in the demand for heavy transport, which experienced a significant increase, a phenomenon that put pressure on the investment needs to improve and maintain rural road networks. The diagnosis still appears valid, although the document does not explain (except in a reference document) that the situation has improved (since the moment of approval of the first operation, the percentage of roads in the departmental network in good or very good condition has improved 10 percentage points, but it's still just over 50%), nor does it provide evidence on the specific accessibility challenges faced by the rural population potentially benefitted by the program. The financing needs of the departmental network continue to be high (at least US$300mm per five-year periods from 2020 to 2029). These investment needs respond to the growth in the volume of cargo associated mostly with the forestry industry, which has risen by around 10% per year from 2002 to 2018 (last year with existing figures). The project proposes to continue the investment in rural departmental roads, initiated in the first operation of the CCLIP, incorporating improvements from the institutional point of view aimed at improving the execution of public road spending, based on lessons learned from the first operation. Additionally, the project will support investment in maintenance of existing roads, with local counterpart resources.

The economic analysis considered the roads in the representative sample and has reasonable and standard assumptions and sensitivity analyses. The net present value for the roads in the sample is US$18.65mm and the internal rate of return is 18.3% (all the roads in the sample are economically viable under the discount rate used by the National System of Public Investment of Uruguay). Extrapolating to all paving and resurfacing works, the net present value would be US$40.33mm (this does not consider program costs associated with maintenance).

The evaluation plan is appropriate. It proposes carrying out a before and after analysis of the indicators of the specific and general objectives and an ex-post cost-benefit analysis of the program. This exercise will not allow empirical attribution of the results obtained.

RESULTS MATRIX

Project objective:	The specific objectives of this operation will be: (i) to improve the service quality of departmental market roads; and (ii) to improve the execution of public expenditure allocated to provide departmental road infrastructure services. Achievement of these objectives will contribute to the general objective of providing reliable access to services and markets for the rural population and for forestry and agroindustrial products.

GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year of achievement	Target	Means of verification	Comments
General development objective: To provide reliable access to services and markets for the rural population and for forestry and agroindustrial products							
Average time during which the roads targeted by the program are closed[1]	Rate	100	2022	2028	33	Measurements of days per year when the targeted roads are impassable	See details in monitoring and evaluation plan

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	End of project	Means of verification	Comments
Specific development objective 1: To improve the service quality of rural market roads						
Average freight VOC on roads paved under the program	Rate	100[2]	2023	65[3]	Highway Development and Maintenance Model 4 (HDM-4), ex ante assessment report	Heavy-duty vehicles

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[1] This indicator will be used as a proxy to measure both the effectiveness of the resilience measures and reliable access to services and markets for the rural population and for forestry and agroindustrial products.

[2] The baseline for nine paving projects in the sample was US$1.804 / veh-km for trucks (medium-, semi-heavy-, and heavy-duty) and the resulting target of US$1.105 / veh-km, calculated with the HDM-4 model for scenarios with and without the project. The average global VOC of the nine paving projects from the sample, weighted by the composition of the vehicular traffic of medium-, semi-heavy-, and heavy-duty trucks that form the modeled fleet of freight vehicles.

[3] The target VOC reduction for the nine paving projects from the sample, obtained with the HDM-4, is 38.7% for trucks; a target reduction of 35% is used.

Indicators	Unit of measure	Baseline value	Baseline year	End of project	Means of verification	Comments
Freight VOC on roads repaved under the program	Rate	100[4]	2023	98[5]	Idem	Heavy-duty vehicles
Average VTT on roads paved under the program	Rate	100[6]	2023	45[7]	Idem	Light- and heavy-duty vehicles
Average VTT on roads repaved under the program	Rate	100[8]	2023	65[9]	Idem	Light- and heavy-duty vehicles
Specific development objective 2: To improve the execution of public expenditure allocated to provide departmental road infrastructure services						
Compliance with the planning established in the PNCDR for the second five-year period	Km executed / km planned[10]	0	2023	80%		
% of targeted roads that follow the new work supervision protocols	Work projects on roads for which over 70% of the testing data was provided to OPP within 60 days after the tests / works on roads targeted by the program[11]	0	2023	50%	OPP semiannual progress reports	

[4] The baseline VOC for two rehabilitation projects in the sample was US$1.083 / veh-km for trucks (medium-, semi-heavy-, and heavy-duty), with a resulting target of US$1.105 / veh-km. The average global VOC was obtained from the two rehabilitation projects in the sample, weighted by the composition of truck vehicle traffic.

[5] The target VOC reduction for the two rehabilitation projects in the sample is 1.4% for trucks. This decrease is because the faster speeds raise fuel costs and offset the reduced VOC from the lower international roughness index (IRI).

[6] The baseline VTT for the nine paving projects in the sample for light- and heavy-duty vehicles was US$0.279 / veh-km and the resulting target is US$0.114 / veh-km. The average global VTT was obtained for the nine paving projects from the sample, weighted by the composition of the vehicular traffic of light- and heavy-duty vehicles (medium-, semi-heavy-, and heavy-duty trucks).

[7] The target VTT reduction for the nine paving projects in the sample is 59.2%; a target reduction of 55% is used.

[8] The baseline VTT for the two rehabilitation projects in the sample was US$0.207 / veh-km for light- and heavy-duty vehicles (medium-, semi-heavy-, and heavy-duty), with a resulting target of US$0.133 / veh-km. The average global VTT was obtained from the two rehabilitation projects in the sample, weighted by the composition of light- and heavy-duty vehicular traffic.

[9] The target VTT reduction for the two rehabilitation projects in the sample, is 35.5%; a target reduction of 35% is used.

[10] Length executed compared with the planned length of rehabilitation, on the PNCDR roads.

[11] Each works project has a monthly work certificate; the total number of certificates, or the total number of months of execution for all works projects, is the indicator's denominator; the number of months in which the certificates included the test reports as per the protocol is the numerator.

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 1: Rural road rehabilitation and maintenance											
Km of roads targeted by the program with improved standards	Km	0	2023	70	70	70	70	70	350	OPP semiannual progress reports	
Km of roads on which program maintenance activities are carried out	Km	0	2023	3,000	3,000	3,000	3,000	3,000	15,000	OPP semiannual progress reports	
Engineering studies for program works	Units	0	2023	10	10	10	10	0	40	OPP semiannual progress reports	
Roads rehabilitated with the program competitive fund	Units	0	2023	0	0	1	1	0	2	OPP semiannual progress reports	This will include projects that involve two departments and projects with private sector participation.
Component 2: Support for improving rural roads management											
Women trained on semitechnical tasks associated with the road works	Units	0	2023	0	9	9	9	9	36	OPP semiannual progress reports	
Activities to strengthen the departmental governments by raising awareness of gender equality issues	Units	0	2023	0	1	1	0	0	2	OPP semiannual progress reports	Two workshops will be held with the departmental governments to supplement the training activities for women on areas of value in the road sector and to lend continuity to the activities held in the first operation under the CCLIP.
Design of a maintenance management system	Units	0	2023	0	0	1	0	0	1	OPP semiannual progress reports	
Design of technological pilots to digitize the management of road use and climate change adaptation	Units	0	2023	0	0	1	1	0	2	OPP semiannual progress reports	

Country: Uruguay **Division:** TSP **Operation No.:** UR-L1190 **Year:** 2023

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: The borrower, through the Office of Planning and Budget (OPP)

Operation name: Productive Rural Road Improvement Program II

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation (Any system or subsystem approved subsequently could be used for the operation, under the terms of the Bank's validation.)

☒ Budget	☐ Reports	☒ Information system	☒ National competitive bidding (NCB)
☒ Treasury	☐ Internal audit	☒ Shopping	
☐ Accounting	☒ External control	☒ Individual consultants	

2. Fiduciary execution mechanism

☒	Co-executing / Sub-executing agencies	The executing agency will be the borrower, acting through the Office of Planning and Budget (OPP). The beneficiary departmental governments will be subexecuting agencies for the program and will sign framework participation agreements to that end. These agreements will establish the departmental governments' responsibilities. In them, the departmental governments will state that they are familiar with the loan contract under which the program is financed and will pledge to adhere to the stipulations of the various program documents, including the program Operating Regulations. The departments will engage consulting services for project design and works supervision, where necessary. They will also issue calls for bids and pay contractors.
☒	Special features of fiduciary execution	Most of the operation will be subexecuted by the departmental governments, through transfers from the OPP and with OPP supervision.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The institutional capacity analysis platform assessment of the OPP's overall fiduciary capacity indicates a low level of risk. The OPP has extensive experience with Bank-financed projects, a suitable organizational and administrative structure responsible for program execution, and the opportunity to reinforce the fiduciary team depending on the level of work required. The fiduciary agreements and requirements established for this program are based on the OPP's background as executing agency for loan operation 3791/OC-UR, which has similarities with this operation and received a clean report (unqualified opinion) on its audited financial statements.

4. Fiduciary risks and risk response

Risk classification	Risk	Risk level	Risk response
Internal processes	if the Uruguayan General Accounting Department (CGN), National Audit Office (TCR), and departmental governments took longer than one month to respond, including for delivery of receipts, it would be impossible to execute the planned payments as per the financial planning schedule. Consequently, the documentation needed to substantiate advances would not be submitted to the Bank on time.	Medium-high	Flexibility in the percentage of balances of advances pending substantiation for which supporting documentation must be submitted. In addition, the OPP will consider the involvement of the CGN, the TCR, and departmental governments in the payment planning exercise for the program.
Organizational structure	If the support staff that join the executing agency fiduciary team do not have much experience in the use of Bank policies, the fiduciary processes may take longer.	Low	Fiduciary training for the staff members that join the executing agency fiduciary team.

5. Policies and guidelines applicable to the operation: The Bank policies set out in documents GN-2349-15 and GN-2350-15 will be applicable for execution of the procurements planned for this operation. The online country procurement system may be used for the cases identified in the procurement plan, as approved on 26 February 2021. For financial management, the Financial Management Guidelines (OP-273-12 or current version) apply.

II. Considerations for the Special Provisions of the Loan Contract

Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be applied will be the one indicated in section (b)(i) thereof. For the purpose of determining the equivalence of expenditures incurred in local currency as charges against the local counterpart or of reimbursements for expenditures charged against the loan, the agreed upon exchange rate will be the exchange rate on the last business day of the prior month in which the borrower, executing agency, or any other person or legal entity to which authority has been delegated to incur expenditures, makes the respective payments to the contractor, supplier, or beneficiary.
Type of audit: The program's audited financial statements will be submitted within the 120 days following the close of the program's fiscal year if issued by an independent audit firm acceptable to the Bank, or within the 180 days following the close of the program's fiscal year if issued by the National Audit Office (TCR) of the Eastern Republic of Uruguay. The final audited financial statements will be submitted within the 120 days following the date of the final disbursement or extensions thereto if issued by an independent audit firm acceptable to the Bank, or within the 180 days following the date of the final disbursement or extensions thereto if issued by the TCR.

III. Agreements and Requirements for Procurement Execution

☒	Bidding documents	The Bank's standard bidding documents or other documents agreed upon by the executing agency and the Bank for a specific procurement will be used for the procurement of works, goods, and nonconsulting services subject to international competitive bidding, executed in accordance with the procurement policies (document GN-2349-15). Likewise, the selection and contracting of consulting services will be executed according to the Policies for the Selection of Consultants (document GN-2350-15) using the Bank-issued standard request for proposals or the request form agreed upon by the executing agency and the Bank for the specific selection process. For national competitive bidding and shopping processes, a procurement document will be developed and agreed upon by the country's competent authority and the Bank. Use of this document will be mandatory in all bidding processes started in connection with the project. The project's sector specialist will be responsible for reviewing the technical specifications and terms of reference for procurement during the preparation of selection processes. This technical review may be conducted ex ante and is independent of the procurement review method used.
☒	Use of country systems	The country public procurement system will be used for the bidding processes explicitly identified in the operation's procurement plan, in accordance with the Bank Board of Executive Directors' approval on 26 February 2022. If the scope of the Board's approval for the use of the country system is expanded, the system will be applicable to this operation.

<table>
<tr>
<td>☒</td>
<td>Direct selection and contracting</td>
<td>There are plans to conduct two pilots, for US$50,000 each, for the incorporation of technology, to be conducted through two direct contracting processes, in line with points (c) and (d) of paragraph 3.11 of document GN-2350-15, which permit the use of noncompetitive methods for services for very small amounts (less than US$100,000) and when the consulting firm has experience of exceptional worth for the assignment. These are very specific pilots that will involve a survey and prior identification in the market of potential institutions/companies that have the capacity to implement them:

1. “Weight control” pilot, to install a device that will estimate the weight of truck loads using image capture and processing. The objective is to reduce the circulation of trucks carrying more freight than is allowed, which will increase the useful life of paved roads.

2. “Floodable crossings” pilot, to design and install a device that will determine whether a crossing (bridge, culvert, ford) is blocked due to water flowing across the road. Based on this, it will send a real-time notification that the crossing is impassable and will record data of how many times this has happened, to predict in the future if it will be blocked for hours after a rainfall event.</td>
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<td>☒</td>
<td>Procurement supervision</td>
<td>Supervision will be ex post, except where ex ante supervision is justified. Procurements executed using the country system will be supervised using the country’s national supervision system. The supervision method (ex ante, ex post, or country system) will be determined for each selection process in the operation procurement plan. Ex post reviews will be conducted as per the project supervision plan, which is subject to changes during execution. Ex post review reports will include at least one visit. The thresholds for ex post review are:
<table>
<tr><th>Executing agency</th><th>Works</th><th>Goods / services</th><th>Consulting services</th></tr>
<tr><td>OPP</td><td>US$5,000,000</td><td>US$500,000</td><td>US$200,000</td></tr>
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<tr>
<td>☒</td>
<td>Records and files</td>
<td>The execution unit will keep a record of the contracting documents, which will include the documents for each bidding process, general data about the number, types, amounts, and dates of the contracts awarded, and the names of the successful bidders and contracting bodies. The minimum requirements for all records will be listed in the program Operating Regulations.</td>
</tr>
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Main procurements

Procurement description	Selection method	Estimated date	Estimated amount (US$ 000)
Works			
Paving of Sosa Díaz road between Route No. 11 and Route No. 34	NCB	October 2023	1,250
Route 30 - La Bolsa - Meneses Station - Route 4	NCB	October 2023	1,250
Paving of Eugenio Sainz Martínez road	NCB	October 2023	1,590
Paving Circuit 3 - Puntas de San José - Connection of Route 3 to Route 23	NCB	October 2023	1,725
Individuals			
Call to hire two consultants for the program technical team	Selection of individual consultant (3CV)	May 2024	112

To access the procurement plan.

IV. Financial Management Agreements and Requirements

☒	Programming and budget	The program budget will be managed through the integrated financial management information system (SIIF) as part of the national budget within the consolidated draft national budget approved by the Budget Act for the government's five-year term. The executive branch will prepare any reprogramming and potential annual expansions of the budget in the annual account reporting and budget execution statement. The executive branch will submit these reports to the legislative branch within six months after the end of the fiscal year and may propose changes for justified reasons. The OPP will take into account the time requested by the Ministry of Economy and Finance as approver, for the processes of incorporating the project budget into the national budget and making changes to the project budget that would increase the appropriations allocated to the OPP under the Budget Act.
☒	Treasury and disbursement management	The National Single Account will be used, for which the National Treasury will, at the OPP's request, open a special account at the Central Bank of Uruguay for receipt of the Bank funds. If the National Treasury so authorizes, a specific bank account will be opened at Banco de la República Oriental del Uruguay (a State-owned commercial bank) for program payments. United States dollars will be used as the currency for the operation, at the exchange rate identified in Section II. Disbursement requests will be processed via online disbursement (or valid system). The preferred disbursement modality will be advance payment. In general, a

		12-month financial plan will be used for the operation, and supporting documentation will be provided for at least 50% of the cumulative balances pending substantiation. This is because: (i) agencies in the central government to which the OPP belongs will need to have the funds in a Central Bank of Uruguay account in order to commit to new obligations; and (ii) the payment process requires the preventive intervention of the TCR and the CGN, which have their own response times (OP-273-12, Annex 1, paragraph 3.3, criteria (a), (c), and (d)).
☒	Accounting, information systems, and generation of reports	The OPP will use the same two-currency integrated accounting management system used for accounting and reporting in prior Bank-financed operations, which is suitable for managing this operation. The executing agency has a complete chart of accounts, with an added cost-center breakout associated with the results matrix outputs (broken down by departmental government). This breakout makes it possible to generate information by accounting line item, output, and departmental government. The integrated financial management information system (SIIF) will be used to allocate and execute the approved budget appropriations for the project. The program Operating Regulations will include the additional applicable financial management guidelines.
☒	Internal control and internal auditing	The country system will be used as a foundation pursuant to the laws and regulations in force. The OPP has shared that it is one of the entities that does not have an internal audit unit. Given the OPP's experience with other loan contracts, the Operating Regulations are expected to establish the applicable financial management framework pursuant to Bank guidelines and instructions, supplemented by the financial processes that govern the OPP as per applicable local regulations.
☒	External control and financial reports	The TCR will conduct external control of the operation, as it does for loan contract 3791/OC-UR, currently in execution. However, the program may be audited by an independent audit firm. The audit will be conducted in accordance with the terms of reference previously agreed upon with the Bank. The cutoff dates and submission deadline are set out in Section II. The aforementioned additional period for the TCR is motivated by its internal process for approving the audited financial statements issued prior to delivery to the Bank, the executing agency, and the General Assembly. As established in the Consolidated Code of Accounting and Financial Administration, the TCR will perform preventive intervention for all expenses associated with project execution.
☒	Financial supervision of the operation	The financial supervision plan may be adjusted based on program execution and the external audit reports. The following activities are planned: monitoring of program progress and instruments, review of disbursement requests, visits (in-person or virtual) to the OPP.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/23

Uruguay. Loan ____/OC-UR to the Eastern Republic of Uruguay. Productive Rural Road Improvement Program II. Second Individual Operation Under the Conditional Credit Line for Investment Projects (CCLIP) for the Productive Rural Road Improvement Program (UR-O1150)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Eastern Republic of Uruguay, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Productive Rural Road Improvement Program II, which constitutes the second individual operation under the Conditional Credit Line for Investment Projects (CCLIP) for the Productive Rural Road Improvement Program (UR-O1150), approved by Resolution DE-87/16 on November 9, 2016. Such financing will be for the amount of up to US$80,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _______________ 2023)

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