

EXECUTIVE SUMMARY
SECTOR FACILITY
PROGRAM TO STRENGTHEN THE CONTROL AND BUDGET MANAGEMENT UNITS
(UR-L1031)

Borrower:	Eastern Republic of Uruguay	
Executing Agency:	Ministry of the Economy and Finance (MEF)	
Amount and source:	IDB (Ordinary Capital):	US\$2,205,000
	Local:	US\$ 200,000
	Total:	US\$2,405,000
Financial conditions:	Amortization period:	25 years
	Execution period:	36 months
	Disbursement period:	42 months
	Grace period:	48 months
	Interest Rate:	Variable
	Inspection and supervision:	*
	Credit fee:	*
	Currency:	U.S. dollars from the Single Currency Facility of the Bank's Ordinary Capital
Objectives:	<p>The general objective of the program is to improve the efficiency and quality of public administration practices and enhance transparency and reliability in government accountability to society. The specific objective is to improve control of public management at the national level and to establish cooperation among the different control agencies, through the modernization of internal control at the national level and the institutional strengthening of national control agencies. These agencies are: the Tribunal de Cuentas de la República [Court of Accounts of the Republic] (TCR), Contaduría General de la Nación [General Accounting Office] (CGN), Auditoría Interna de la Nación [National Internal Audit Office] (AIN) and Unidad de Presupuesto Nacional [National Budget Unit] (UPN).</p>	

* 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 applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

**Description
and
components:**

This operation is expected to achieve cooperation, a systemic approach, and coordination among the control agencies. Greater efficiency in these agencies will also make it possible to allocate resources to other priority areas.

Component 1. Modernization of internal control. The objective of this component is to contribute to improving the quality of public sector management processes and achieve synergy among the control agencies that will oversee internal control compliance and management.

Component 2. Institutional strengthening of the AIN The objective of this component is to strengthen the institutional capacity of the AIN, in terms of organization and technical processes supported by technology, as well as to optimize control resources through appropriate coordination with the other agencies that have related functions.

Component 3. Institutional Strengthening of the CGN. The objective of this component is to strengthen the CGN's institutional capacity and operating processes through the modernization and/or design and implementation of technical tools and the diagnostic assessment of the technological requirements necessary to carry out its functions; and improve the professional capacity of CGN staff and optimize CGN resources, through appropriate coordination with the other agencies that have related functions.

Component 4. Institutional strengthening of the TCR. The objective of this component is to strengthen the institutional capacity of the TCR in terms of organization, planning, and technical processes supported by technology, and to optimize its control resources through appropriate coordination with the other agencies that have related functions.

Component 5. Consolidation of the UPN. The objective of this component is to consolidate the National Budget Unit (UPN) of the Ministry of the Economy and Finance to support decisions on preparing the budget and monitoring budget execution. To this end, support will be provided to formalize its organizational structure and to design and implement technical tools supported by technology for performing its functions. UPN staff will also be trained in using the tools developed.

**Special
contractual
conditions:**

The following conditions will be set out in the loan contract: **(I) Conditions precedent to the first disbursement of the Bank loan, the MEF will present to the Bank:** (i) evidence that a program coordinating committee has been established and that the technical directors and administrative coordinator for the program have been designated; (ii) annual work plan (AWP) for the program; and (iii) evidence of the establishment of a working group to carry out Component I activities related to modernizing internal control. **(II) Special conditions for execution:** Each year prior to

30 November, the MEF will present the AWP for the following year to the Bank for review.

Relationship to the Bank's country and sector strategy:

One of the Bank's priorities is to support governance and modernization of the State. In order to be able to execute their projects and programs autonomously, the institutional capacity of the entities receiving the loan and other support must be strengthened.

Likewise, the Bank is committed to promoting an actual improvement in institutional capacity and operating processes to ensure professional external and internal control, which are an essential requirement for reliability in public accountability.

Modernized control agencies that have a clear understanding of their role, professional competency, and tools appropriate to their mission become a key ally in ensuring best practices in public administration. The Bank believes that, as projects are developed to strengthen and modernize institutions and changes occur in the information and applied technology systems in the public sector in general, so control agencies must be strengthened and modernized. This is a requirement for control to be effective and efficient.

Coordination with other multilateral development institutions:

Because there are no programs on control of public management financed by multilateral development institutions, this project does not include any coordination with such institutions.

Environmental and social review:

There are no environmental or social risks associated with the activities planned under this operation. According to the Environment and Safeguards Compliance Policy, the program has been classified as a category "C" operation.

Potential benefits:

The direct beneficiaries of the program will be the agencies receiving support for institutional strengthening, enabling them to provide professional services to carry out their mission with appropriate levels of quality and timeliness; the agencies subject to financial audits and control, which will receive products and/or services that will help them to improve the quality of their own management and to prevent or correct in a timely manner situations that undermine the transparent, effective, and efficient management of the public resources for which they are responsible; the MEF, which will have a formalized tool that is technically and technologically designed to support decisions pertaining to budget formulation and changes; lastly, the citizens in general, who will benefit from the guarantee of reliable reporting of public sector results and reasonable assurance that breakdowns in transparency do not occur or are reported in a timely manner.

Potential risks:	Fiduciary risk. As established in the Bank's strategy with the country, Uruguay presents low fiduciary risk. The capacity of the executing unit that will be responsible for the program has been analyzed, and the unit has been determined to be low-risk due to its capacity and experience.
Poverty targeting and social sector classification:	This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).
Procurement:	The loan proceeds will be used to finance the costs of consulting services, software purchases, and training logistics, as well as the value-added tax associated with the procurement of these goods and services, in accordance with the Procurement Plan included in Annex II. Procurement will be carried out in accordance with Bank policies. International competitive bidding will be required for the procurement of goods and services financed in part or entirely by the Bank loan and involving amounts in excess of the equivalent of US\$250,000. National competitive bidding will be required for the procurement of goods and services involving amounts equal to or below US\$250,000 but above US\$50,000. The shopping method will be used for amounts of less than \$50,000. In all cases, goods and services will be procured in accordance with the Procurement Plan previously approved by the Bank.
Key performance indicators:	Benefits and outcomes will be measured by verifying the achievement of the targets in the Results Matrix. To this end, a table showing the baseline and the targets for this sector facility has been prepared.
Joint information of the Bank and Executing Agency:	The following information is available for monitoring program execution: (i) detailed program budget; (ii) procurement plan for the program; and (iii) Results Matrix.