

NATIONAL URBAN RENEWAL PROGRAM

(UR-0112)

EXECUTIVE SUMMARY

BORROWER: Banco Hipotecario del Uruguay (BHU)

GUARANTOR: Eastern Republic of Uruguay

EXECUTING AGENCY: A development corporation to be created as a joint venture between the BHU and the Public Radio and Television Network (SODRE)

AMOUNT AND SOURCE:

IDB/OC:	US\$28 million	70%
Local counterpart funding:	<u>US\$12 million</u>	<u>30%</u>
Total:	US\$40 million	100%

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	20 years
Grace period:	4.5 years
Disbursement period:	4 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75% of undisbursed balances
Currency of loan:	U.S. dollars from the Single Currency Facility

OBJECTIVES:

The aim of the program is to promote restoration of "La Aguada de Montevideo", an area with considerable development potential and a number of public buildings with heritage value that are in need of repair.

The program will seek to: (i) finance, in partnership with the private sector, the rehabilitation and refurbishing of public buildings which form part of the country's cultural heritage; (ii) finance basic public infrastructure projects to improve public spaces in areas in decline; and (iii) promote public and private sector management of the heritage properties to be restored.

DESCRIPTION:

The program will have four components:

1. Restoration of Artigas Station as a heritage site (US\$6.2 million). This component will include investment of the minimum public funds required to preserve the exterior shell of this historic train station and prepare the property for

operation under a concession or outright sale to the private sector. The funding will be used for: (i) repairing the roofing and exterior facades of the station's central nave; and (ii) construction of a new passenger terminal and offices for the State Railway Administration (AFE) within the confines of the marshalling yards (see paragraph 2.7). These investments are strategically justified in that they send a concrete signal of public sector commitment to restoring this cultural asset and at the same time pave the way for its operation by the private sector on a commercial basis.

2. Upgrading of urban infrastructure in La Aguada district, Montevideo (US\$12.3 million). This component includes: (i) revamping public parks and squares; (ii) street repairs and resurfacing; (iii) provision of lighting and street furniture, and least-cost tree planting for conservation; (iv) installation of traffic signals and street signage; and (v) repairs to water and sanitation lines required as a result of works to improve city streets. These investments will improve access to Artigas Station and its environs from other areas of the city, and will help to preserve the environment of the surrounding district as well as adapting the setting to the cultural and commercial uses planned for the station.
3. Equipping of Artigas Station and the new SODRE Complex for cultural activities (US\$13.6 million). This component will include: (a) renovations to create a cultural center within the main body of the station's central building, and purchase specialized sound, lighting and acoustic gear appropriate to the intended use (e.g. rooms for special exhibitions and lectures on the arts and culture); and (b) the purchase of general equipment and furnishings for the new SODRE Cultural Complex (e.g. rooms for musical shows, theatrical works, and film showings, including: (i) special systems for stage machinery; (ii) special flooring and linings; (iii) electrical and electronic systems and equipment; (iv) general and special furnishings; and (v) fire protection and safety equipment. These expenditures will form part of the Government of Uruguay's strategy for consolidating the city's "cultural corridor" which will run from the newly rehabilitated

Artigas Station located in the port area, through downtown Montevideo.

4. Technical assistance for management of cultural facilities housed in Artigas Station and SODRE's new Cultural Complex (US\$500,000). This technical assistance will provide support for the executing agencies in the hiring of specialized consultants to: (a) formulate a strategy for managing the cultural center in Artigas Station based on an analysis of the best alternatives to be financed; and (b) promote short- and medium-term scheduling of the events planned for SODRE's new Cultural Complex.

**ENVIRONMENTAL/
SOCIAL REVIEW:**

The Bank's Committee on environment and social impact approved the environment and social impact report (ESIR) on January 16, 1998. The Committee's comments can be summarized as follows: (i) the area that would be affected by the investments forms part of the urban fabric in La Aguada District, and accordingly the environmental impact, both positive and negative, will affect primarily the human environment; (ii) the program would have little adverse impact, relating to works execution; therefore, the bidding conditions will include the required mitigation measures; and (iii) the maintenance of investments and collection of solid waste in the area will need to be assured at the operations stage. The committee's comments are set out in paragraphs 5.11 to 5.13 below. The environmental impact assessment was sent to the Public Information Center on December 22, 1997; the ESIR will be sent on January 28, 1998.

BENEFITS:

The main benefit of this project will be the enhancements brought about in the project's area of influence, resulting in more and better use of facilities within the station, the district and the SODRE Cultural Complex, for both commercial and cultural purposes. One important consideration here is that the amount of public funds to be invested is relatively small compared to the private sector resources which the program is expected to mobilize for urban renewal and preservation of heritage sites. (Total private spending, including direct investment and that leveraged by the program, is expected to be five times greater than the amount of public funds invested.)

The rehabilitation of Artigas Station and upgrading of infrastructure in La Aguada district, from an urban planning point of view, will attract commercial

activities and residential development, making for more efficient use of buildings and land in the area, thereby reversing the trend toward urban decay.

Finally, from a sociocultural standpoint, the program will help restore the area's cultural heritage by improving utilization and providing centers for cultural activities and performances, for which there is a demonstrated demand in Montevideo. The program will provide efficient management of the services offered by these facilities, ensuring coordination between the public and private sector in mobilizing grant funding for this purpose.

RISKS:

The main risk inherent in the program stems from Montevideo's soft real estate market, which generates only moderate demand for commercial, residential, recreational and industrial space in downtown areas. This risk will be lessened by the scaling of public and private operations involved in the program and by using conservative demand estimates based on market studies as a basis for planned cultural and commercial activities.

A second, related risk is a possible lack of interest on the part of the private sector in participating in financing and running operations created under the program. To offset this possibility, the program has been designed in such a way that in the absence of private sector interest, only minimal repairs will be made to the station which are deemed to be of significant value whether or not private investment is forthcoming (see paragraph 3.7).

A third risk has to do with the involvement of the various public agencies (BHU, AFE, Port Authority, Ministry of Works, Municipality of Montevideo, etc.) with varying interests in the program's operations. This risk will be countered by creating a development corporation to oversee execution, and by requiring that the Departmental Council approve the master plan on behalf of the community. The plan to establish a duly incorporated development entity should make for effective cooperation and coordination among the various public agencies.

**POVERTY-TARGETING
AND SOCIAL
CLASSIFICATION:**

Since this project will benefit the population of Montevideo as a whole, rather than targeting any specific group, it has been determined with reference to the Eighth Replenishment (document AB-1704, paragraph 2.13) that the proposed program does not qualify as poverty-targeted, nor would it be classified in the social equity or poverty reduction

categories, pursuant to the description set out in paragraph 2.15 of that document.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

The Bank's participation in this program contributes to Bank strategy to foster private interest in urban development operations with public objectives to restore Uruguay's heritage. Specifically, the program seeks to achieve a more efficient use of that heritage and improve the reclamation of downtown areas in decline, as is the case in Montevideo. To this end, the Bank will make available experience acquired in similar projects, for rapid consolidation of institutional and financial mechanisms needed to guarantee the long-term sustainability of the urban renewal process.

The Bank could consider, as part of its strategy, a subsequent stage of this program that would cover the rehabilitation and refurbishing of heritage properties located in five cities in the interior: (i) the AFE station in Pando; (ii) the AFE station in Rivera; (iii) the UTE plant in Salto; (iv) the AFE station in San José; and (v) the former UTE plant in Tacuarembó (see paragraph 1.12). Approval of a prospective loan for such a subsequent loan would be contingent upon the success of the private participation strategy adopted to carry out the program, as well as technical and economic feasibility of the projects concerned (see paragraph 3.35).

**SPECIAL
CONTRACTUAL
CONDITIONS:**

The following conditions are to be met prior to the first disbursement under the program: (i) the development corporation must be in operation, with the agreed features and personnel (see paragraph 3.1); (ii) the BHU must have signed interagency agreements with the IMM, SODRE, and the development corporation to ensure transparency in the program's financial flows (see paragraph 4.36); and (iii) consultants must have been hired to draw up the management development strategies for the cultural center in the Artigas Station (see paragraph 3.15) and the new SODRE Cultural Complex (see paragraph 3.18).

Other special conditions for the program are as follows: (i) Before issuing the first tender call for upgrading of urban infrastructure in La Aguada district, the borrower must demonstrate to the Bank that it has contracted a concessionaire to operate the Artigas Station, using concession procedures and terms and conditions agreed to with the Bank in advance; and that the land corresponding to the

marshalling yards and sheds has been sold in accordance with conditions likewise agreed to in advance with the Bank (see paragraph 3.7); (ii) a mid-term evaluation must be carried out to assess progress under the program, propose corrective measures where necessary, and provide information for use in devising a possible second stage of the program to be carried out in five other cities in the interior (see paragraph 3.35); (iii) within six months after the date of signature of the loan contract, a consultant must be hired to conduct an independent evaluation of the program (see paragraph 3.31); (iv) within one year following the effective date of the loan contract, the consultants' reports outlining management strategies for the cultural center in Artigas Station (see paragraph 3.15) and new SODRE Cultural Complex (see paragraph 3.18) must be submitted to the Bank; and (v) an ex post evaluation of the program is to be conducted (see paragraph 3.40).

**PROCUREMENT OF
GOODS AND
SERVICES:**

The threshold amounts above which international competitive bidding is required are US\$250,000 for the purchase of goods and related services, and US\$2 million for construction contracts. Projects costing less than those thresholds will be tendered in accordance with Uruguayan legislation, following procedures which do not conflict with the Bank's rules and which have been agreed to in advance with the Bank.

**EXCEPTIONS TO
BANK POLICY:**

None.

I. FRAME OF REFERENCE

A. Urban development and restoration of heritage sites

1. Deterioration of central areas and heritage buildings

- 1.1 Uruguay is one of the most urban countries in Latin America, with over 85% of its 3 million inhabitants living in cities. Its network of urban centers is dominated by the metropolis of Montevideo, whose 1.4 million residents represent 45% of the nation's population overall, and 52% of its urban population. In addition to the capital, there are 52 other population centers, the largest of which are Salto (93,000 inhabitants), Paysandú (75,000), Las Piedras (66,000), and Rivera (63,000).
- 1.2 Most of these urban centers, particularly the city of Montevideo, have peri-central areas 1/ which are in decline owing to a complex process of functional, economic and physical obsolescence. Despite their privileged location next to downtown areas with their concentration of government and business activities, these peri-central beltways are being abandoned by the population and businesses alike. This phenomenon is making city operations less efficient by placing additional pressure on residential, commercial and recreational development at the periphery, and failing to make full use of existing physical resources, buildings and areas already well equipped with infrastructure. There are a number of obstacles which keep private investors from spontaneously renovating these areas, including: the negative externalities generated by the many public and private properties abandoned or being under-utilized in these areas; scattered ownership; and deterioration of public spaces in the area.
- 1.3 Some of the more important unused public properties contributing to the decline of these peri-central areas in Uruguayan cities are the train stations and marshalling yards owned by the State Railway Administration (AFE), and former generating plants operated by the National Power Administration (UTE). As a result of the interconnection of the country's electricity grid, and the fact that railway passenger transport services have been discontinued in all Uruguayan cities (except for a few suburban lines in Montevideo), these facilities have fallen into disuse. Some of these buildings – such as the General Artigas Central Station and its freight sheds in Montevideo – have been declared national monuments, leaving the public sector responsible for their preservation. Consequently,

1/ The term "peri-central" is used here to designate areas forming the first perimeter beltway surrounding the central core of a given city. These areas were the sites for the earliest residential activities of the highest-income groups or, in the case of Montevideo, economic activities related to the import-export trade.

abandonment of these properties not only represents an obstacle to efforts to restore and renovate the areas in which they are located, but also risks the loss of buildings which are part of the nation's cultural heritage.

2. Opportunities for urban renewal and restoration of heritage sites

- 1.4 The Government of Uruguay is anxious to promote restoration of these buildings which are parts of the cultural heritage, while at the same time fostering renewal of the downtown areas in which they are located. To this end, authorities have identified six peri-central areas in different Uruguayan cities that are the site of major State-owned properties and heritage buildings which are suitable for restoration and redevelopment. In addition to the Artigas Station in Montevideo's La Aguada district, these include former electric generating stations in Tacuarembó and Salto, and railway terminals in San José, Rivera and Pando. To make the most of opportunities for development of these sites, the Uruguayan government has devised the National Urban Renewal Plan (PNRU), which is the object of this document.

3. Urban renewal strategy

- 1.5 In line with recent experiences of cities that have carried through successful urban renewal programs, the Government of Uruguay proposes a strategy based on coordination of activities between the public and private sector. This approach calls for the use of public funds to generate externalities which will, in turn, attract private investment in projects for rehabilitation or redevelopment of properties in the designated areas.
- 1.6 Under its National Urban Renewal Plan, the government proposes to use investments in the restoration of buildings classified as architectural or historic heritage sites as a way of attracting cultural and commercial activities, and spurring private development of the former marshalling yards around selected train stations. This will bring growth activities into the peri-central areas which the government is intent on rehabilitating. Drawing on lessons learned from recent experiences in Europe and the United States (which show that in order to ensure long-term sustainability of investments in this area it is essential to bring private sector partners into renewal projects and at the same time promote the restoration of civic facilities to ensure the proper setting), the Uruguayan government is working in concert with local municipalities to revise the regulatory framework for urban development and revamp public spaces in the districts slated for renewal activities. The government therefore intends to ensure active private sector participation in the financing of projects to restore heritage buildings and redevelop public properties.

B. Description of urban renewal areas

1. La Aguada district and the Montevideo Central Station

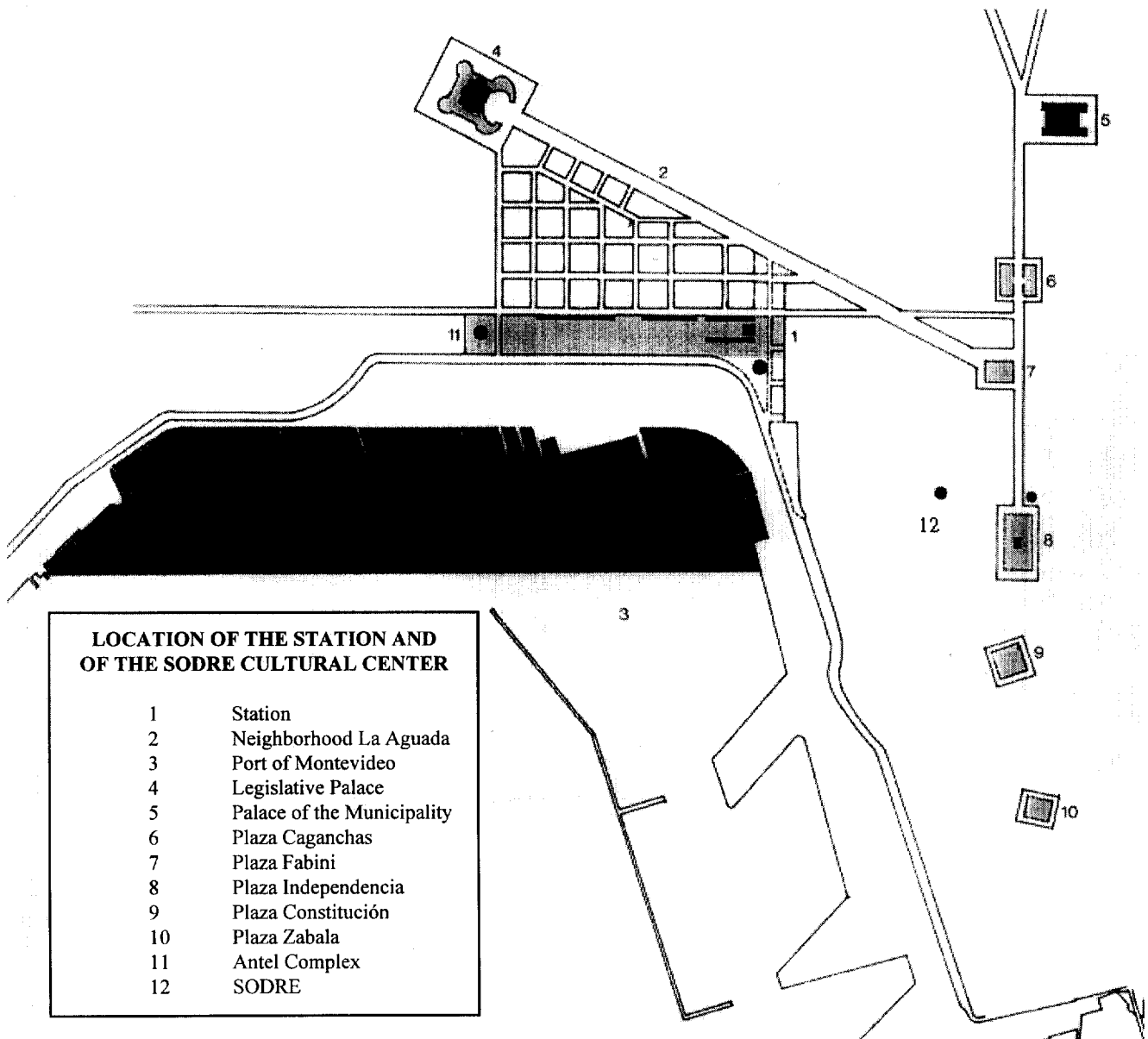
a. The district and State-owned properties

- 1.7 La Aguada district is located in downtown Montevideo, next to the area with the highest concentration of commercial and cultural activities and service industries in the city, and contains the grounds and buildings of the General Artigas Central Station occupying some 7.8 hectares of land – an area large enough so that a successful complex locating there would have a significant impact on urban renewal efforts in the station's immediate surroundings which take in approximately 24 hectares. This zone is occupied primarily by industrial facilities (storage sheds), commercial establishments (wholesalers and automotive dealers), and to a lesser extent residential housing. The district's civic infrastructure is run-down and the presence of the abandoned train station discourages any attempt at urban renewal. The station complex includes the historic main passenger terminal (1.25 ha), which was built in 1890 and has been declared a national heritage site, the freight sheds (1.3 ha) which housed the workshops and are interesting examples of late nineteenth-century industrial architecture, and have been declared national heritage sites in their own right, and the marshalling yards (5.3 ha).

b. Development potential

- 1.8 The immediate and medium-term development potential of the buildings that comprise the train station, as well as restoration of La Aguada district generally, will depend upon the development possibilities of the overall setting, current real-estate demand in Montevideo, and the role that the district can play in supplying needed floor space. Uruguayan government studies of the real-estate market point to slow growth in demand for space in all use categories and all population strata. ^{2/} This is partly the result of the small size of Montevideo's market and its slow population growth – less than 1% per year. La Aguada's ability to supply residential space is limited by the district's run-down image and its location far from the coast, where Montevideo's highest income earners prefer to build their homes. And as a potential site for businesses, the district has to compete with four recently-built commercial centers on the outskirts of the city, which are drawing more and more of the city's higher-income consumers. Finally, as a possible location for office space, the district as a whole, and the station grounds in particular, face restrictions due to the area's poorly developed market for office

^{2/} See "El plan FENIX. Estudio de mercado y de factibilidad económico-financiero para La Aguada y las cinco intervenciones del interior", Economic Research Associates, Montevideo, October 1997.



accommodations, with limited demand for premises equipped with modern amenities.

- 1.9 Nevertheless, La Aguada district has the potential to make a singular contribution to the Montevideo real estate market. Its central location adjacent to business and commercial centers, and the multitude of cultural facilities in the surrounding area (theaters, movie houses, concert halls, etc.) make La Aguada attractive to the entire city of Montevideo, expanding its potential market appeal to include specialized cultural and entertainment activities. By taking advantage of this circumstance, developing the unique features of the train station and promoting urban renewal throughout the district, it will be possible for La Aguada to offer services not otherwise available in the local real-estate market, and hence to attract a portion of the demand that is now being channeled into other sectors of the city. This strategy can be further reinforced by stressing the district's specialized role with regard to cultural activities and entertainment facilities in nearby areas, making La Aguada part of Montevideo's cultural corridor which includes theaters, movie houses, and restaurants being built in the area which stretches from Plaza del Entrevero, along Avenida 18 de Julio, to the Teatro Solís in Plaza Independencia and the new building housing the Public Radio and Television Network (SODRE).
- 1.10 According to the market surveys, the development potential of the Artigas Station site can be maximized by taking advantage of its flexibility to combine a variety of specialized uses (active recreation, specialty retail, modern offices) in a form not available elsewhere in Montevideo's present market. The feasibility of these potential developments is dependent upon the ability to bring them together in a cultural center and diversified entertainment facility in the building that used to house the train station. This combination of uses, along with ancillary and related activities (restaurants, services, etc.), can provide the economic basis needed to ensure sustainable restoration of the heritage buildings that make up the passenger terminal and freight sheds, and to redevelop the marshalling yards.
- 1.11 Table I.1 indicates the recommended combination of uses and estimated development potential for the Artigas Station building and former marshalling yards, as determined in the market studies:

Table I.1 Recommended program to develop AFE assets

Property	Potential use	Usable area or floorspace (m ²)
Artigas Station		19,012
	Cultural	5,294
	Commercial	8,418
	Event center	2,800
	Service areas	2,500
Marshalling yards		48,000
	Retail stores	5,000
	Restaurants	3,000
	Multiplex cinema	4,000
	Offices	31,000
	Hotel	5,000

2. Development potential of assets in the interior

- 1.12 Most of the uses identified for properties in the interior (train stations and grounds, and obsolete generating plants) relate more to community-oriented activities than to commerce, and will serve to improve the quality of cultural and community services, while at the same time contributing to urban renewal and efforts to preserve buildings of historical and cultural interest. The economies of these smaller urban centers are based on agriculture and tourism, which generate little demand for office space. Nor is commercial footage in great demand, owing to the small size of their markets and the general lack of economic diversification. Given these market constraints, the Uruguayan government decided to tackle the most promising case identified – Artigas Station in Montevideo – in the first stage of the National Urban Renewal Plan. For this reason, the present program will not include investments in cities other than Montevideo. Instead, detailed studies will be carried out in the course of this program to set the stage for future renovation of heritage sites in the interior. Annex I-1 (in the program technical files) contains a summary of the development potential of these other locations, prepared by the Uruguayan government.

C. Rationale for Bank participation in the program

1. The Bank's country policy

- 1.13 The focus of the Bank's strategy for Uruguay is to help that country's government promote expansion of investment as an engine

of growth, with particular emphasis on improving the capacity of its economy to take advantage of the opportunities under MERCOSUR and in other world markets. Accordingly, the assistance provided by the Bank has three primary aims: (i) to help bring down government spending and balance the budget, the Bank will support continuing efforts to restructure the public sector, especially those involving reform of the social security system and the civil service; (ii) to help restore competitiveness and promote investment, the Bank will back initiatives to continue improving the climate for private investment, including participation by the private sector in basic infrastructure finance, and supporting implementation of a management development strategy; and (iii) to help maintain high standards for social services and ensure the availability of human capital required for Uruguay's sustainable growth in the context of MERCOSUR and market globalization, the Bank will support efforts to improve the delivery and quality of services, raising their efficiency and sharpening their focus, with particular emphasis on modernization of education and health services, and development of the country's sanitation infrastructure.

2. Rationale for the Bank's participation

- 1.14 Participating in the National Urban Renewal Program will enable the Bank to help promote private investment in efforts to preserve heritage sites and restore downtown Montevideo, to make for more effective use of the cultural heritage and improve the workings of that part of the city. To this end, the Bank has provided expertise and experience acquired in similar projects, which will help ensure the long-term sustainability of the urban renewal process.
- 1.15 In April 1997, for instance, the BHU and the Bank organized a workshop in Montevideo, with interested parties from the international private sector, to promote the national urban renewal program and the program's development potential. The response from participants was very favorable, with more than 12 private groups from the region and elsewhere in the world presenting their ideas for rehabilitation and commercial development of Artigas Station. This favorable outcome also enabled the BHU to sustain private-sector interest throughout program preparation, using ongoing information media such as its Web page.

II. THE PROGRAM

A. Objectives

- 2.1 The aim of the program is to promote restoration of La Aguada district in Montevideo, an area with considerable development potential and a number of public buildings and heritage sites in need of repair.
- 2.2 The program will seek to: (i) finance, in partnership with the private sector, the rehabilitation and refurbishing of public buildings which form part of the country's cultural heritage; (ii) finance basic public infrastructure projects to improve public spaces in areas in decline; and (iii) promote public and private sector management of the heritage properties to be restored.
- 2.3 The logical framework and program goals are set out in Annex II-1.

B. Description of the program

- 2.4 In accordance with the above-mentioned objectives, the program will have four components, three comprising investment projects and one for technical assistance.
 1. Restoration of Artigas Station as a heritage site
(US\$6.2 million)
- 2.5 Restoration of Artigas Station will include a series of investments of an eminently public nature to restore both the station's central nave and the old marshalling yards. These investments can be divided into two distinct categories: (i) outlays to rehabilitate the central nave of the station; and (ii) projects to relocate the existing office premises and passenger terminal occupied and operated by the AFE within the station's marshalling yards.
- 2.6 The investments to rehabilitate the structure of the central nave are needed to preserve the exterior shell of the station in order to make it more attractive for operation under a private concession, and include: (i) repairing the roof of the main block, the two wings and central nave; and (ii) repair and cleaning of the exterior facades of the station.
- 2.7 Investments to relocate offices currently occupied by the AFE in the station building will be based on a conservative estimate of the agency's current functions and projected needs over the next five years. Also, outlays to relocate the alternative passenger terminal in the northwest corner of the marshalling yards will be based on a conservative projection of traffic volumes over the next few years.

2. Upgrading of urban infrastructure in La Aguada district of Montevideo (US\$12.3 million)

- 2.8 This upgrading component will entail investments in public infrastructure projects accorded high priority in the La Aguada District Master Plan and designed to satisfy the following technical criteria and urban development objectives: (i) connecting Artigas Station to public spaces in adjacent areas; (ii) improving the accessibility of the station and district to the Old City; (iii) modernizing infrastructure to serve the expected future uses of the station complex; and (iv) helping to improve environmental quality in the district.
- 2.9 The works to be carried out under this component include: (i) creating or revamping public parks and squares; (ii) upgrading streets in the district, including repairs or resurfacing; (iii) installation of lighting and street furniture, and least-cost tree planting for conservation; (iv) installation of traffic signals and street signage; and (v) repairs to water and sanitation lines required as a result of works to improve city streets.

3. Equipping of facilities for cultural activities (US\$13.6 million)

a. Artigas Station (US\$3.0 million)

- 2.10 Renovation projects will be carried out to modernize the Artigas Station and develop a cultural center to be situated in the top floors of the main building and its north wing. Investments for this component will comprise the renovation of 4,300 square meters of floor space, including minor demolition to remove interior partitions and install sound equipment, lighting and acoustic materials suitable for the intended use. Space within the center will be designed to accommodate a number of differing but interrelated cultural activities, namely: (i) galleries for special art exhibitions; (ii) rooms for museographic displays in the areas of natural history and anthropology; (iii) space reserved for public and private cultural organizations; and (iv) auditoriums for national and international lectures on the arts and culture. The presence of the center will reinforce the heritage aspects of the station and balance demand for private commercial activities to be carried out under concessions on the lower level and central nave of the station.

b. New SODRE Cultural Complex (US\$10.6 million)

- 2.11 Montevideo's cultural corridor will have at one end the rehabilitated Artigas Station, and at the other the Teatro Solís, passing through the new SODRE Cultural Complex. The latter facility will replace SODRE's former sound studio building which was destroyed by fire in 1971. The center will occupy the same location where that building once stood, and will contain a number

of rooms designed for presentation of musical events (in particular, voice and orchestral works, and chamber music) ballet, theatrical performances, film screenings, and informal workshop presentations.

2.12 The total cost of the Complex will be US\$94 million, some US\$43 million of which has already been expended. Thus, the work remaining to be done is valued at US\$51 million, including US\$24 million for general equipment (elevators, air conditioning, etc.) and specially equipment (sound gear, lighting fixtures, acoustical materials, etc.). The Complex is scheduled for completion in September 1999.

2.13 The specific investments to be financed under this program are for general equipment needed to ready the rooms in the Complex for installation of the specialized sound, lighting and acoustical materials needed for staging events. Items falling into this category are: (i) special systems for stage machinery; (ii) special flooring and linings; (iii) electrical and electronic systems and equipment; (iv) general and special furnishings; and (v) fire protection and safety equipment.

4. Technical assistance for management of cultural facilities
(US\$500,000)

a. Artigas Station (US\$200,000)

2.14 Alternative approaches for management of the cultural center to be created in Artigas Station will be explored in the course of this program, including: (i) granting concessions to organize events in its different venues to one or more public and/or private institutions interested in promoting cultural activities; and (ii) creating a public-private cultural foundation (i.e. a nonprofit civil association).

2.15 These alternatives will be used to design a strategy for public-private management of the cultural center that promotes a combination of subsidies and grant funding to ensure the sustainability of its operations and maintenance. The program will provide the technical assistance resources necessary for designing this strategy.

b. New SODRE Cultural Complex (US\$300,000)

2.16 One of the objectives of the program will be to develop a strategy for efficient administration of the new SODRE Cultural Complex. The basic idea behind this new management strategy for SODRE cultural activities is to take advantage of the restructuring process which is already under way. To this end, the technical assistance provided to SODRE under the program will include: (i) formulation of a strategy to finance and promote short- and medium-term programming for the new Cultural Complex, with active

involvement of private foundations; and (ii) training for senior officials in cultural affairs management. This technical assistance will be contracted for at the outset of the program.

C. Program costs and financing

- 2.17 The total estimated cost of the program is the equivalent of US\$40 million, of which the Bank will provide US\$28 million from its ordinary capital. The local counterpart will be equivalent to US\$12 million.
- 2.18 The Banco Hipotecario del Uruguay (BHU) will assume financial responsibility vis-à-vis the Bank for providing local counterpart funds, for servicing the debt to the Bank, and for channeling funds to the development corporation and SODRE. The BHU will reach an agreement with the IMM and SODRE as to their proportional shares of local counterpart funds, and repayment of the funds they receive, as well as their proportional share of the finance charges; those resources will be used in partial payment of the Bank's loan.
- 2.19 The following table shows the allocation of total program costs by source of funding:

Table II.2 Program cost and financing
(in millions of U.S. dollars)

Components and expenditure items	Total by source of funds			
	IDB-OC	Local	Total	%
I. Administration	1.0	1.6	2.6	6.5
1.1 Executing agency (S.A. Fénix)	-	1.6	1.6	
1.2 Technical assistance (PPF and execution of the program)	1.0	-	1.0	
II. Direct costs (including design and contingencies)	26.7	5.9	32.6	81.5
2.1 Restoration of Artigas Station as a heritage site	5.2	1.0	6.2	
2.1.1 Central nave	1.5	0.3	1.8	
2.1.2 Marshalling yards	3.7	0.7	4.4	
2.2 Upgrading of urban infrastructure in La Aguada	10.0	2.3	12.3	
2.2.1 Upgrading of streets and plazas	10.0	2.3	12.3	
2.3 Equipping of facilities for cultural activities	11.0	2.6	13.6	
2.3.1 Cultural Center in Artigas Station	2.4	0.6	3.0	
2.3.2 New SODRE Cultural Complex	8.6	2.0	10.6	
2.4 Technical assistance (management of cultural facilities)	0.5	-	0.5	
2.4.1 Cultural facilities in Artigas Station	0.2	-	0.2	
2.4.2 New SODRE Cultural Complex	0.3	-	0.3	
Subtotal (I + II)	27.7	7.5	35.2	88.0
III. Financial costs	0.3	4.5	4.8	12.0
3.1 Interest	-	4.0	4.0	
3.2 Credit fee	-	0.5	0.5	
3.3 Inspection and supervision	0.3	-	0.3	
Total (I + II + III)	28.0	12.0	40.0	100.0
Percentage	70.0	30.0	100.0	

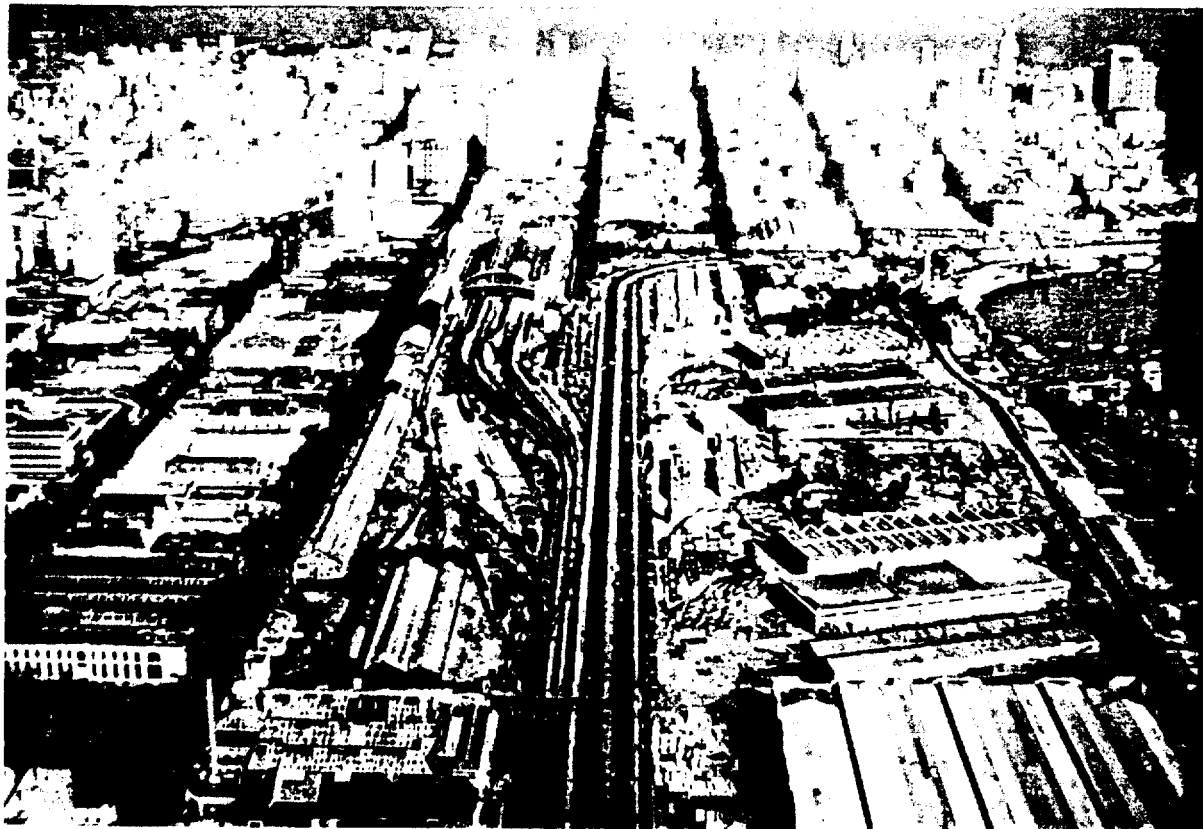
2.20 SODRE officials have informed the Bank that the Uruguayan government is seeking cofinancing from France to equip the network's new Cultural Complex. If these negotiations are successful, the Bank and the BHU will agree to adjust the entries under the corresponding cost line item.

2.21 It is suggested that the proposed IDB loan be made subject to the following terms and conditions:

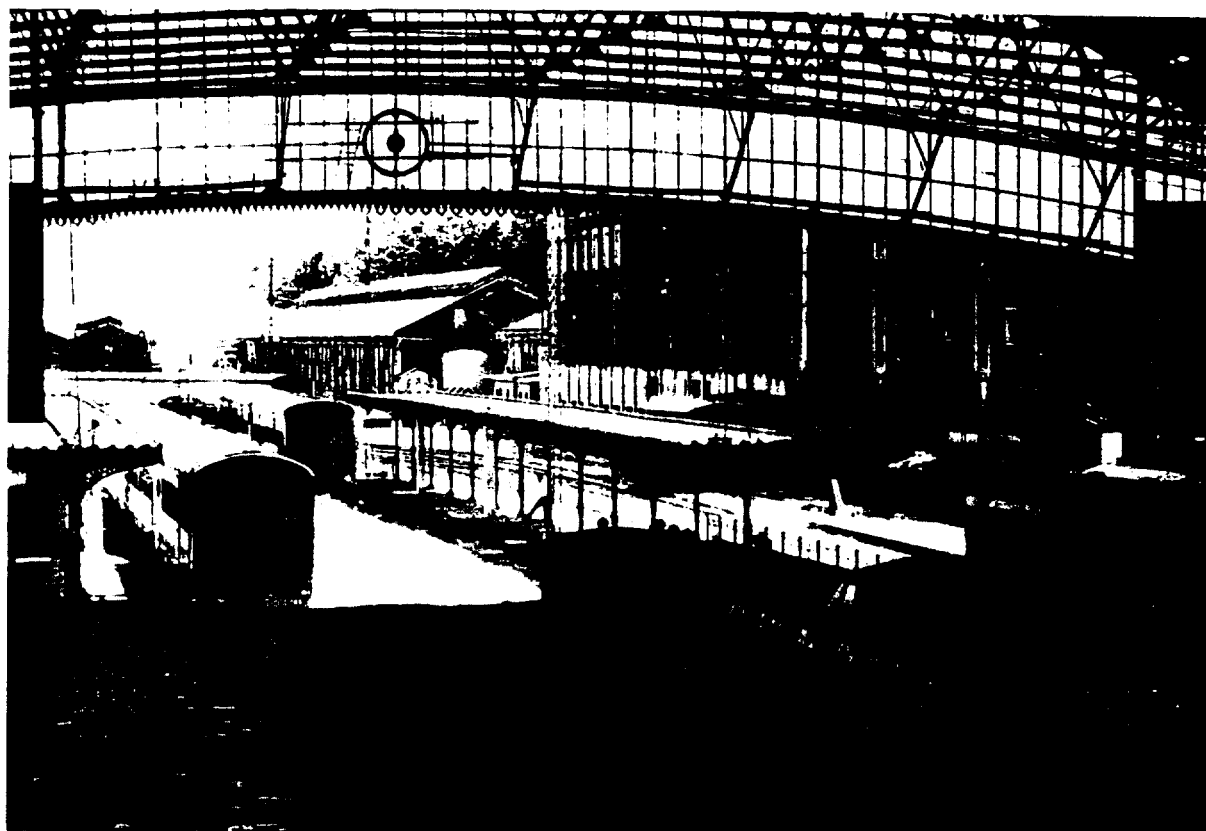
Table II.3 Terms and conditions of financing

Amount of loan	US\$28,000,000
Amortization period	20 years
Grace period	4.5 years
Disbursement period	4 years
Interest rate	Variable
Inspection and supervision	1%
Credit fee	0.75% on undisbursed balances

ESTACIÓN CENTRAL GENERAL ARTIGAS



Aerial View/Vista Aérea



Train Depot Interior/Andenes

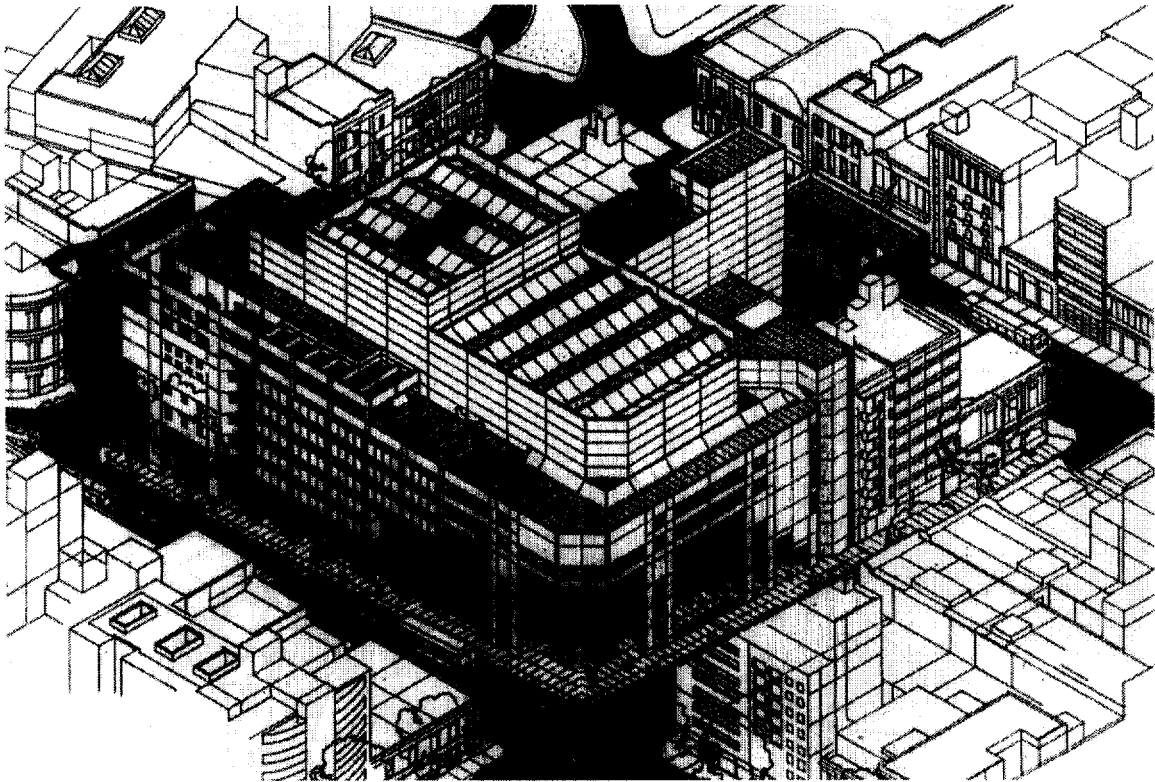
ESTACIÓN CENTRAL GENERAL ARTIGAS



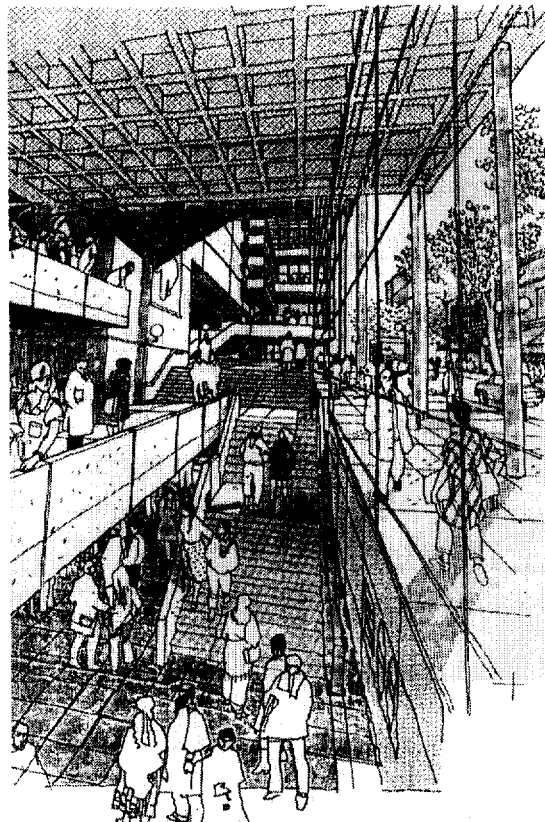
Facade/Fachada Principal



Upper Level of Main Building/Nivel Superior del Edificio Central



NEW CULTURAL CENTER "SODRE"



III. PROGRAM EXECUTION

A. Executing agencies

- 3.1 The components for restoration of the Artigas Station and upgrading of urban infrastructure in La Aguada will be carried out by a development company, duly established as a corporation, with the BHU as its sole shareholder, and by SODRE with respect to construction of its new Cultural Complex. The development corporation will have the autonomy needed to carry out not only the program proposed herein but also similar projects slated for a subsequent stage in five cities in the interior. The creation and start-up of this corporation will be a condition precedent to the first disbursement under the program.

B. Program operations

1. Strategy for tendering out the concession for operation of the central nave and sale of marshalling yards attached to Artigas Station
- 3.2 The success of the program will depend upon achieving the right private sector participation to ensure successful commercial operations in Artigas Station. The way to accomplish this is through careful drafting of the tender documents to award spaces in the central nave, and the sale of the open sites and freight sheds contained in the former marshalling yards of the station, based on the recommendations made in the market studies commissioned for Montevideo.
- 3.3 Current conditions suggest the need for a cautious approach in line with the market's limited absorption capacity, in order to attenuate the risks inherent in this type of real-estate operation. Given international experience with this type of project and present market conditions, it is recommended that the tender documents be arranged so as to invite bids for the concession/sale of the property, either in whole or in parts, to one or more private developers/operators.
- 3.4 Because the central nave of Artigas Station has historical significance as a heritage site, it will be offered as a concession operation only under a contract of at least 20 years' duration. This matches the amortization period of the Bank loan and will signal both the public and private sector wish to create the conditions necessary for long-term sustainability. The marshalling yards, including two adjacent freight sheds, will be offered for sale.
- 3.5 To obtain the best possible offers while ensuring maximum flexibility, it is recommended that bidders be required to bid

separately on the central nave and the old marshalling yards, whether or not they also submit a single proposal combining both elements. This strategy is particularly apt if a concession for operation of the central nave is offered along with the sale of a small area of the marshalling yards which takes in one of the two freight sheds. This would allow the rest of the marshalling yards to be offered for sale separately without diminishing its attractiveness in terms of area.

- 3.6 This tendering strategy would provide an additional incentive for the private sector in the form of a guarantee in the bid documents of the minimum investments which the public sector (i.e. the BHU through the development corporation) is prepared to make in the station, as explained in chapter II above.
- 3.7 Awarding of a private sector concession/sale contract will be a special condition precedent to the disbursement of funds under the components providing for upgrading of La Aguada urban infrastructure. Thus, even if an acceptable private bid for the concession to operate the station's central nave is not immediately forthcoming, this latter condition will ensure that public monies are made available to restore the historic exterior shell of the station.

2. Execution of the investment components

a. Restoration of Artigas Station as a heritage site

- 3.8 All of the projects for restoration of heritage features and equipping of the cultural center in the central nave of the station, together with those involving basic urban development of the former marshalling yards, will be awarded under local or international competitive bidding, in accordance with the thresholds indicated in paragraphs 3.21 and 3.23. The development corporation will be responsible for preparing and carrying out these competitions, and for supervising the construction work involved.
- 3.9 In exchange for these investments of public funds, private sector bidders will be required under the concession contract to guarantee operating conditions which protect and adequately maintain the exterior shell of the station, in accordance with Uruguayan standards for the conservation of national monuments and municipal ordinances for public infrastructure. In the event that it is not possible to award a concession contract, the development corporation will be responsible for ensuring that the historic exterior of the station is duly maintained.

b. Upgrading of urban infrastructure in La Aguada District

- 3.10 Contracts for urban infrastructure works will also be let through local or international competitive bidding, and the development

corporation will likewise prepare and carry out these competitions, as well as supervise the construction work.

- 3.11 Physical execution of the works will require prior technical approval of construction plans by the Municipality of Montevideo, and these plans must be handed over to the Municipality upon completion of the works, to ensure proper subsequent maintenance. Agreements covering these points will be required prior to disbursement of the financing for the respective works, and will be an integral part of the Master Plan for La Aguada District.

c. Equipping of the new SODRE Cultural Complex

- 3.12 SODRE's Technical Committee will be in charge of contracting and technical supervision for all work on the new Cultural Complex, and will thus be responsible for conducting local and international bidding competitions required for the purchase of general equipment, in accordance with the thresholds indicated in paragraphs 3.21 and 3.23, as well as for supervising equipment installation in the Complex.
- 3.13 Operation and maintenance of the equipment installed in the Complex will likewise be the responsibility of SODRE, which will assign this task to the administration and maintenance office to be set up under its newly decentralized organizational structure, once the latter comes into force. The study financed by the Bank will recommend the most efficient operating and maintenance option, including an analysis of the merits of outsourcing all or a portion of the operations and maintenance of the new Cultural Complex.

3. Technical assistance components

a. Cultural management component

(i) Artigas Station

- 3.14 The starting point for creation of a cultural center in Artigas Station will be the adoption of a strategy for analyzing various management alternatives. The development corporation will be responsible for recruiting specialized consulting services to prepare this strategy. In so doing, the corporation will coordinate its efforts with the Ministry of Education and Culture.
- 3.15 The requirement that the development corporation submit this strategy for the Bank's consideration will be a condition precedent to first disbursement and to setting up cultural facilities in the station's central nave.

(ii) New SODRE Cultural Complex

- 3.16 Technical assistance under this component will be carried out by SODRE and will consist of devising a strategy for managing the finances, operations and maintenance services under the new Cultural Complex, and seeking the participation of private sector entities involved in promoting cultural events in Uruguay.
- 3.17 SODRE will take into account the findings of the study of cultural demand carried out for Montevideo, and will hire specialized consulting services to draw up the strategy, which must contain: (i) a schedule of events for at least the first year of operation; (ii) a fundraising plan, including a search for private patrons; and (iii) a marketing plan (advertising and promotional campaign) to attract large enough audiences to planned events to sustain the desired operating levels.
- 3.18 Submittal of this management strategy to the Bank's consideration will be a condition precedent to first disbursement and to the purchase of general equipment for the new Cultural Complex.

b. Program execution

(i) Property management

- 3.19 Specialized consulting support will be required for final preparation of the bidding conditions for concession and sale in the Artigas Station, as well as for the negotiation and execution stages. The development corporation will therefore be responsible for hiring specialized international consulting services for this purpose. The terms and conditions used in inviting proposals for this position must be consistent with the tendering strategy described above.

(ii) Establishing a regulatory framework for the La Aguada District Master Plan

- 3.20 The Uruguayan government has drafted a Master Plan for La Aguada district. The draft has been reviewed by the Municipality of Montevideo, which has agreed to its inclusion as a Special Plan under the Montevideo Zoning Regulations. The Special Plan for La Aguada sets out standards for urban development and buildings built with private funds, plus the requirements for public spaces within the district. The works included in this program for upgrading of urban infrastructure were identified during preparation of the Master Plan and have been approved by the municipality (IMM). The IMM has completed the proposed land use plan and presented it to the Departmental Council for final approval. The land use plan is thus expected to enter into force in mid-1998.

C. Procurement procedures and timetable

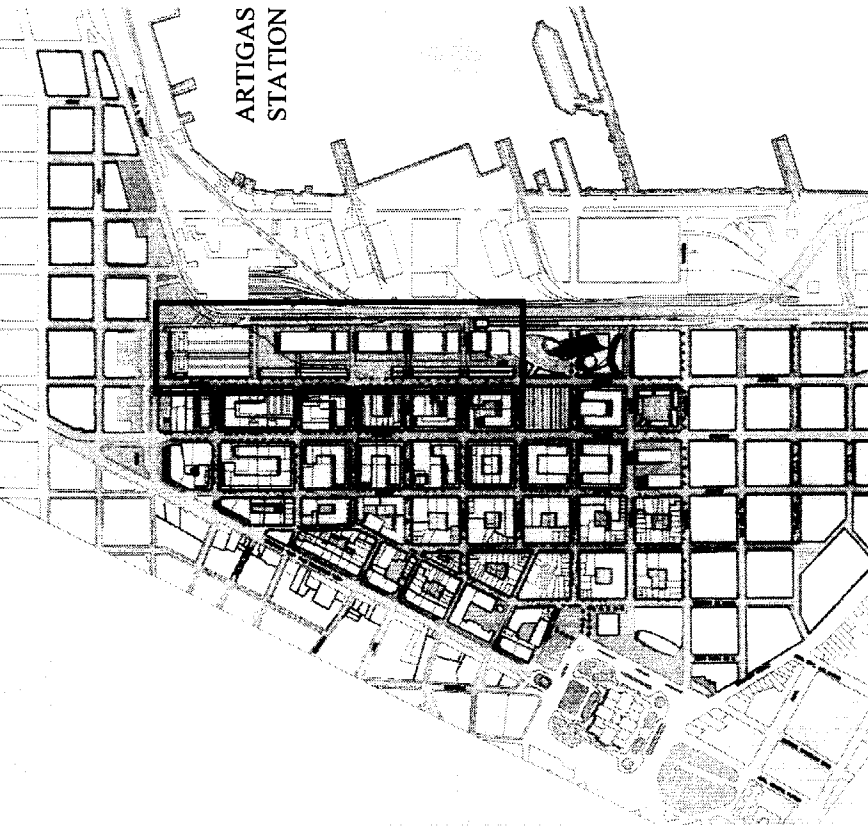
- 3.21 The planned restoration works, upgrading of basic infrastructure, and furnishing of equipment are straightforward and the prequalification of bidders will therefore not be necessary. All works costing over US\$2 million equivalent will be put to international tender following the Bank's procedures.
- 3.22 The works to upgrade infrastructure within La Aguada will be grouped into separate bid packages, bearing in mind the need for staggered execution to avoid serious disruptions in the district, and combining similar tasks (asphalt paving, concrete resurfacing, landscaping, signage, and so forth). The final designs and construction plans will be prepared in stages as required for the bidding process. These studies are not complicated, and the IMM's engineering departments (Public Works and Services, and Urban Development) have a great deal of experience in approving and supervising such plans.
- 3.23 All purchases of goods worth over US\$250,000 will be handled by international competitive bidding, following the Bank's rules and procedures. Where purchases below this threshold are to be made with Bank funds, the procedures used must be consistent with the Bank's policies and ensure free competition and the quality of the products being acquired.
- 3.24 Contracts for consulting services which are to be paid out of the loan proceeds, in amounts over US\$200,000 will be let through international competitive bidding, according to the Bank's rules and procedures. For contracts below this threshold, the procedures followed must be such as to ensure open competition and quality of service.
- 3.25 Purchasing and contracting locally using counterpart funds, in amounts below less than the above thresholds, will be governed by the laws of Uruguay so long as these do not conflict with the Bank's policies.
- 3.26 Annex III-1 contains the procurement timetable for the program.

D. Revolving fund

- 3.27 The authorities responsible for preparing the program have indicated their intention to request the creation of a revolving fund which, in accordance with the Bank's procedures, will be equal to 5% of the total loan.

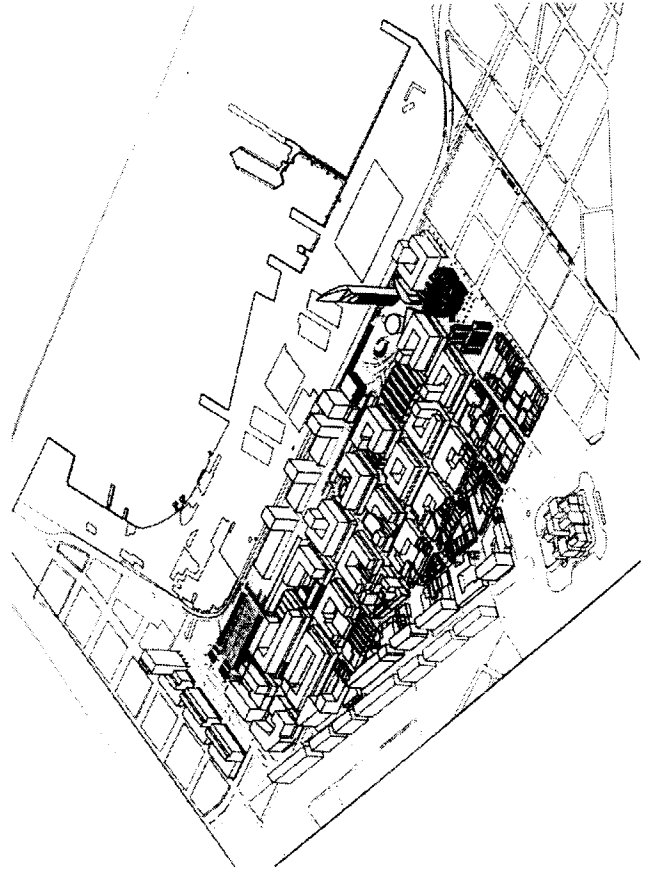
E. Disbursements

- 3.28 Funds will be disbursed in accordance with the Bank's rules, except in the case of duly substantiated expenditures under the revolving fund and reimbursements of the respective payments, for which the



ARTIGAS
STATION

MASTER PLAN OF "LA AGUADA"



ISOMETRIC VIEW

executing agencies need only submit a disbursement request to the Bank's Country Office, accompanied by a breakdown of payments and control of disbursements and local contributions, while retaining the supporting documentation. This will greatly streamline the disbursement process under the program.

- 3.29 The executing agencies will ensure that the information contained in the breakdown of payments is backed by the type of support documents typically required by the Bank. Those agencies will retain in their possession all originals and/or copies of contracts, purchase orders, invoices, receipts, payment vouchers, supplier certificates, certificates of origin or other documents verifying information listed in the breakdown of payments. All such documentation must be duly identified, filed in an orderly manner, and available for review by authorized officials of the Bank and independent auditors. The aforementioned documentation must be kept on active file in a location specified by the executing agencies for a period of not less than five years from the date of the last disbursement under the Bank's loan.
- 3.30 The Country Office, during its technical visits and/or financial inspections, will take random samples of the files maintained by executing agencies to ensure that they contain the necessary supporting documents for disbursement requests, and that funds have been used in the manner indicated in the loan contract. If errors are detected, a higher percentage of records will be inspected and the executing agency will be notified of deductions to be made from future disbursement requests.

F. External monitoring of the program

- 3.31 The development corporation will engage specialized consulting services acceptable to the Bank and having ample experience in evaluating projects for urban renewal and management of cultural facilities, for external monitoring of the program during the execution period and ex post evaluation thereafter as agreed with the Bank. To this end, the consultant will be responsible for: (i) gathering information needed for benchmark measurements; (ii) creating a database from the information gathered; and (iii) preparing annual reports analyzing benchmark developments. The annual reports will serve as input for the mid-term evaluation of the program. The table of benchmarks annexed to the logical framework may be used as a guide for preparation of these reports.

G. Accounting and audits

- 3.32 In monitoring execution, the BHU, the development corporation and SODRE are to: (i) keep separate sets of records of program expenditures according to their respective charts of account approved by the Bank; and (ii) produce progress reports for submission to the Bank within 60 days after the end of each six-month period.

- 3.33 Financial statements on the program are to be prepared by the development corporation, the BHU and SODRE and duly audited by independent outside auditors and the Office of the Auditor General of the Republic and submitted to the Bank: (i) within 120 days following the fiscal year-end, as well as (ii) within 120 days following the last disbursement, a final financial statement, duly audited, showing the use of funds received.

H. Bank supervision/mid-term evaluation

- 3.34 The Bank's Country Office in Uruguay will supervise the program. As part of this process, given the innovative nature of the program, a mid-term evaluation for this stage will be carried out jointly by the executing agencies and the Bank 24 months after the effective date of the loan contract. For this evaluation, the executing agencies will submit an expanded progress report to the Bank which will include relevant input contained in the annual reports produced by the consulting firm in charge of external monitoring of the program.
- 3.35 This mid-term evaluation will, in turn, serve as input for the Bank to assess the advisability of approving financing for a subsequent stage of the PNRU, which would see the program expand into the five cities in the interior listed in chapter I of this proposal. This is in accordance with the Loan Committee's recommendation with regard to establishing a mechanism for determining whether or not to continue with a second stage, based on the degree of success achieved in the Montevideo program.

I. Programming of disbursements and implementation timetable

- 3.36 The works are expected to take four years to complete, with an equivalent period for disbursement of the loan proceeds. The following disbursement timetable (in millions of U.S. dollars) has been drawn up on the basis of the programming done:

Source	1998	1999	2000	2001	Total	%
Bank	5.9	13.5	6.3	2.3	28.0	70%
Local counterpart	1.7	4.2	3.4	2.7	12.0	30%
Total	7.6	17.7	9.7	5.0	40.0	100%
% of total	19%	44%	24%	13%	100%	

J. Status of preparations for the program

- 3.37 With respect to preparation of the investment component of the program, the BHU has submitted for the Bank's approval the bid conditions for restoration work on the roof and exterior facades of the Artigas Station, worth a total of US\$1.8 million. The Bank would recognize these expenditures as part of the present loan, inasmuch as the conditions in question are consistent with the Bank's bidding procedures.
- 3.38 Concerning the strategy for seeking private sector participation in the Phoenix Project, the general principles regarding transparency of process and technical content of the bid conditions for the concession/sale of Artigas Station to the private sector were agreed to during the Bank's analysis mission, and the BHU has provided the Bank with a complete draft of the conditions, taking account of these principles. The BHU expects the calls for tenders to take place in the first half of 1998.
- 3.39 Construction work for SODRE's new Cultural Complex is already approximately 85% concluded, and should be finished, with all installations done, in September 1999. Therefore, tasks remaining for 1998 and 1999 have to do primarily with the purchase and installation of general fixtures and specialized equipment.

K. Ex post evaluation

- 3.40 Given the innovative nature of this operation, the Bank is proposing that the BHU be required to perform an ex post evaluation of the program. The evaluation will focus on an evaluation of the program benchmarks, together with the annual monitoring reports referred to in paragraph 3.31. It is suggested that updating of the database used to measure these indicators be continued for at least three years after the final disbursement. The methods to be used in scaling the benchmarks are the same as those used in the ex ante technical and economic appraisal of the operation.

IV. THE BORROWER AND THE EXECUTING AGENCIES

A. Overall program organization

- 4.1 The Banco Hipotecario del Uruguay (BHU) will be the borrower of the Bank's loan.
- 4.2 To execute the first three components of the program (restoration of Artigas Station, upgrading of urban infrastructure in La Aguada, and equipping/management of cultural facilities in Artigas Station), a development corporation will be created, associated with the BHU, with the sole task of carrying out these components. It will have sufficient flexibility and independence to successfully execute this operation, and also to carry through other similar projects that may materialize at a future stage of the program.
- 4.3 The corporation will be a private-sector entity and thus will not be subject to the formal State controls that apply to publicly funded agencies, nor to the decision-making bodies which habitually oversee the BHU's operations. Instead, the newly created corporation will be subject only to the same State controls imposed by the Office of the Auditor General on any corporation, those exercised by the corporation's internal auditors, and any controls that may arise from the annual independent audit reports which the Bank requires under all its loans.
- 4.4 The BHU will hold the entire capital stock of the development corporation, which will be made up initially of AFE property contributed by the BHU to the corporation. In addition, the BHU will provide cash assets to cover operations until the corporation begins generating its own resources.
- 4.5 With respect to the components for upgrading of urban infrastructure in La Aguada and equipping of the SODRE Cultural Complex, the BHU will assume responsibility vis-à-vis the Bank for providing local counterpart funding and servicing the Bank debt, and will channel resources to the development corporation and SODRE. The BHU will work out with the IMM and SODRE the respective shares of the local counterpart and return of funds received, and the proportional share of financial costs, which will be applied in partial payment of the financing.
- 4.6 The program will also include a component to provide support for the Public Radio and Television Network (SODRE), the execution of which will be the responsibility of SODRE rather than the development corporation. IDB funds to be allocated under the SODRE component will be channelled through the BHU in the form of a loan (see paragraph 4.36(ii)).

B. The borrower: Banco Hipotecario del Uruguay

1. Institutional aspects

- 4.7 The BHU was created in 1892 and subsequently nationalized in 1912. It is now an autonomous legal entity reporting to the executive branch through the Ministry of Housing, Land Use and Environment. Its management is coordinated with the economic and financial strategy prepared by the Ministry of Economic Affairs in conjunction with the Office of Planning and Budget (OPP).
- 4.8 The BHU is a specialized mortgage institution, providing the government with a means of facilitating access to housing and promoting the construction industry.
- 4.9 The BHU has a staff of 1,679 at present, having trimmed its numbers in recent years.

2. Financial aspects

- 4.10 The BHU financial position is characterized by ample solvency, high liquidity and earnings, a low debt-equity ratio, and a declining rate of delinquency on its loan portfolio.
- 4.11 The bank's total assets have grown as follows: US\$3.104 billion in 1994, US\$3.378 billion in 1995, US\$3.481 billion in 1996, and US\$3.553 billion in 1997. Its capital has also grown steadily, rising to the equivalent of US\$1.620 billion by September 1997 (US\$1.498 billion at the close of 1994, US\$1.576 in 1995, and US\$1.621 in 1996).
- 4.12 The bank's debt-equity ratio is extremely conservative and also reflects lower demand for credit. Whereas private Uruguayan banks have an average ratio of 12:1, and Banco de la República (the State-owned commercial bank) a ratio of 4:9, the BHU posted a ratio of 1:2 as of November 1997. This low leverage tends to depress the institution's potential rates of return.
- 4.13 The BHU is financially sound. It recorded liquid assets in November 1997 equivalent to US\$63 million, and in the last four years it has held liquidity of at least the equivalent of US\$35 million at any fiscal year-end.
- 4.14 Net earnings adjusted for inflation have been declining in step with the convergence between its assets denominated in URs, or indexed units, and its liabilities converted to dollars. Net income stood at US\$77 million in 1995 and US\$35.7 million in 1996, and is expected to be somewhat less than US\$40 million for 1997.
- 4.15 The BHU's loan portfolio totaled the equivalent of US\$2.814 billion as of November 1997, with delinquency of around 11% which is

declining due to debt regularization plans introduced by the institution.

- 4.16 The financial projections for the BHU show high rates of return in absolute terms, which should reach a cumulative rate of approximately US\$93 million during the period 1998-2002.
- 4.17 Based on these factors, the BHU would have no difficulty meeting its financial obligations under the proposed program.

C. Executing agencies for the program

1. Development corporation

- 4.18 The development corporation will carry out the projects planned under the urban infrastructure and heritage restoration components, administer the program funds, and keep proper financial and accounting records. It will also see to recovery of investment costs and adequate maintenance of the works.
- 4.19 The corporation will maintain liaison with the Bank in areas affecting the program, and will be responsible for the preparation and submittal of the required progress reports.
- 4.20 The corporation's governing body will be its Shareholders' Assembly, with the usual powers as spelled out in its bylaws.
- 4.21 The corporation will be managed by a board of directors, the members of which will be appointed by the shareholders in the number specified in the company's bylaws. Current Uruguayan law does not permit BHU executives to sit on the board of this subsidiary company.
- 4.22 The Board of Directors will have full powers to administer the corporation and dispose of its assets. For example, the Board will be empowered to: (i) purchase, sell, encumber, pledge, give in antichresis, loan, lease or administer; (ii) grant or receive loans in accordance with applicable laws; and (iii) grant special or unlimited powers of attorney, etc.
- 4.23 The core functions and activities to be carried out by the corporation during the execution of this program and similar future projects include, but are not limited to, the following, which are to be expressly stated or implied in the bylaws:

a. Artigas Station restoration component

- (i) Acquisition/purchase of property; (ii) rental/leasing of property; (iii) sale of property; (iv) exchange of property; (v) execution and contracting of rehabilitation works; (vi) granting of concession for utilization of restored/unrestored

property; (vii) recovery of investment costs; (viii) recovery of operating and maintenance costs.

b. Component for upgrading urban infrastructure in La Aguada

(i) Selection and hiring of consultants; (ii) selection and hiring of contractors; (iii) inspection and supervision of works; and (iv) execution of urban infrastructure works.

c. Technical assistance component

(i) Promotion of activities in project areas; (ii) coordination of activities between the public and private sectors; (iii) execution and maintenance of rehabilitation projects.

4.24 The following legal and financial-administrative support will be provided for the corporation's core activities:

d. Legal counsel

(i) Legal advice in the area of corporate law; (ii) contracts for purchase/sale, rental/leasing, exchange, concessions; and (iii) legal procedures for bidding competitions and tenders.

e. Financial-administrative

(i) Personnel records, records of assets, etc.; (ii) accounting records; (iii) cash transactions; (iv) preparation of financial statements; and (v) general administrative support, etc.

4.25 An Internal Audit Office will be created.

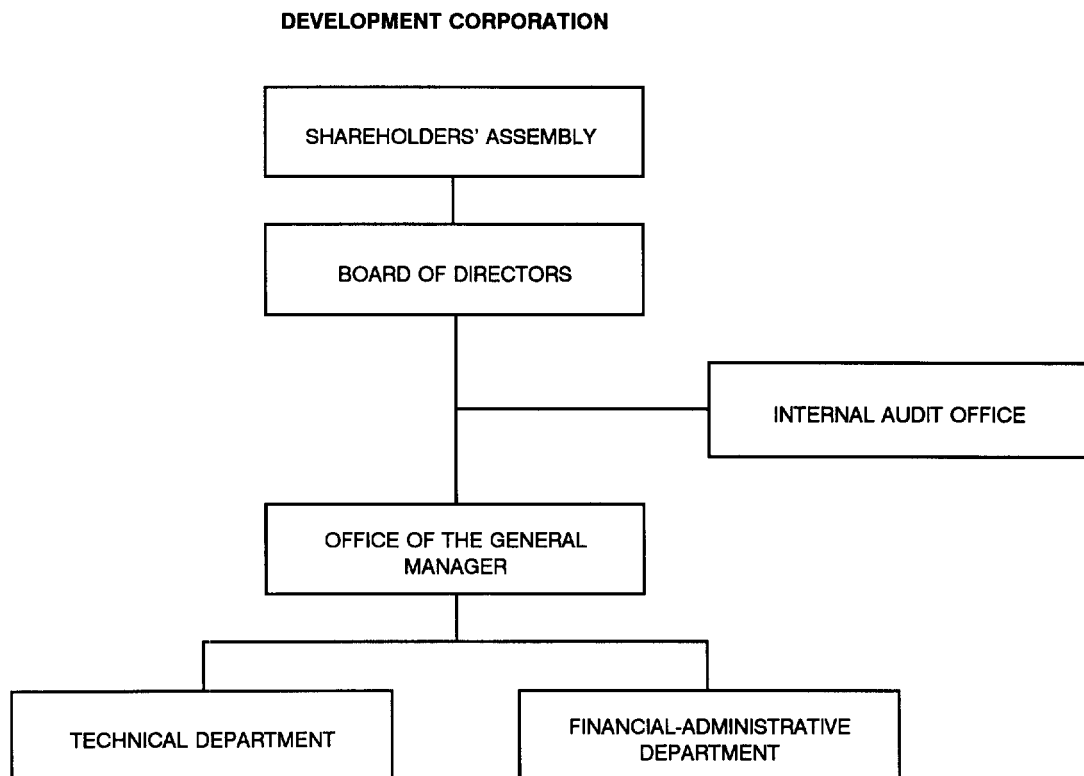
4.26 The organizational structure of the corporation will be as follows:

(i) Management: Office of the General Manager; (ii) controls: Internal Audit Office; (iii) operations: Technical Department and Financial-Administrative Department; and (iv) secretarial staff and support services.

4.27 The Office of the General Manager will be headed by a full-time General Manager who is to function as the senior executive and, as such, will be directly responsible for managing the corporation's affairs, carrying out assigned duties, overseeing staff, and keeping the Board of Directors informed at all times.

4.28 The Internal Audit Office, with an auditor and an alternate auditor, will operate independently to ensure that the corporation's operations and procedures are in accordance with the law and with its own bylaws and internal rules and regulations, and will report directly to the Board of Directors.

- 4.29 The Technical Department will be headed by a full-time manager, who will report to the General Manager. This office will be responsible for action and advice on architectural, engineering and other technical aspects of the rehabilitation and urban renewal programs, including selection of consultants and construction firms. This office will also be responsible for assisting and aiding in the management and promotion of property; the acquisition of property; leasing, exchanges, concessions, etc., for which it will engage the necessary specialized consulting services.
- 4.30 The Financial-Administrative Department will also be headed by a full-time manager reporting to the General Manager. This will be the unit of the corporation responsible for planning and administering the resources required for operations, as well as for maintaining the accounting system, preparing financial statements, keeping personnel records, overseeing general services and purchasing supplies required for operations.



- 4.31 The managers of the Technical and Financial-Administrative Departments, in consultation with and by authorization of the General Manager, will act as the authorities empowered to determine the need for legal advice concerning the corporation's activities, the purchase of goods and services, and all contracting, including contracting the services of the necessary consultants.

- 4.32 The officers of the corporation will also be provided with the secretarial staff and support services needed to discharge their duties. The proposed operating regulations for the development corporation are set out in Annex IV-1, which is available in the program's technical files.

2. SODRE

- 4.33 The Public Radio and Television Network (SODRE) is the government agency responsible for the preservation and production of information, and the dissemination of culture generally in Uruguay. It currently operates as an executive arm of the Ministry of Education and Culture, and is therefore part of the central government.
- 4.34 As part of the government's strategy for modernizing its cultural management capacity, a restructuring plan was recently approved for SODRE under an Executive Decree issued on October 22, 1997. The objective of this restructuring plan is to permit and facilitate conversion of SODRE into a decentralized public agency, and to make a shift from its traditional approach to administration, through training and a focus on efficient performance, toward a more managerial approach.
- 4.35 Meanwhile, the Commission on State Reform helped draft a bill to convert SODRE to a decentralized agency, and this document is now under consideration by the executive branch. This conversion is deemed positive for the program in that it would improve SODRE's management capabilities, modernize the agency, and open up the possibility of outsourcing part of its operating services.

D. Interinstitutional agreements for execution of the program

- 4.36 This operation will require the drafting of interinstitutional agreements to ensure a transparent means for handling the flow of financial resources. To this end, agreements will be signed: (i) between the BHU and the IMM, covering repayment of the investments made in upgrading the district of La Aguada; (ii) between the BHU and SODRE, to establish the conditions under which the BHU is to transfer the proceeds of the Bank financing, and to identify the entity and that is to return to the BHU the funds it channels by way of Bank financing; (iii) between SODRE and the development corporation, establishing the conditions under which the BHU will transfer the proceeds of the Bank financing, for restoration of the Artigas Station as a heritage site. The signing of these agreements will be one of the conditions precedent to the first disbursement under the program, and the Bank has already reviewed a preliminary version of same.

E. Mechanism for financial execution

- 4.37 The general outlines of the system of financial flows is set out below.

a. Component for restoration of Artigas Station

- 4.38 In executing this component, in which no related third parties will take part, the local counterpart funding and the proceeds of the Bank financing will be transferred by the BHU to the development corporation in the manner agreed to by these parties, to carry out rehabilitation works on the AFE properties (train station, marshalling yards, freight sheds, etc.) which the corporation will have already received from the BHU as a capital contribution to set it up.
- 4.39 Using the program funds, the corporation will carry out the planned rehabilitation works. After offering the property to private sector operators under concession, sale, etc., and deciding the contract award, it will monitor performance under the contracts and collect the specified royalties or financial fees.
- 4.40 This income will go towards recovery of the costs incurred in arranging the rental/concession of the AFE's property. Until such time as the corporation is duly constituted, the minimal repairs to be made to the roof and exterior facades of the station's central nave may be carried out by the BHU, the borrower.

b. Component for upgrading urban infrastructure in La Aguada

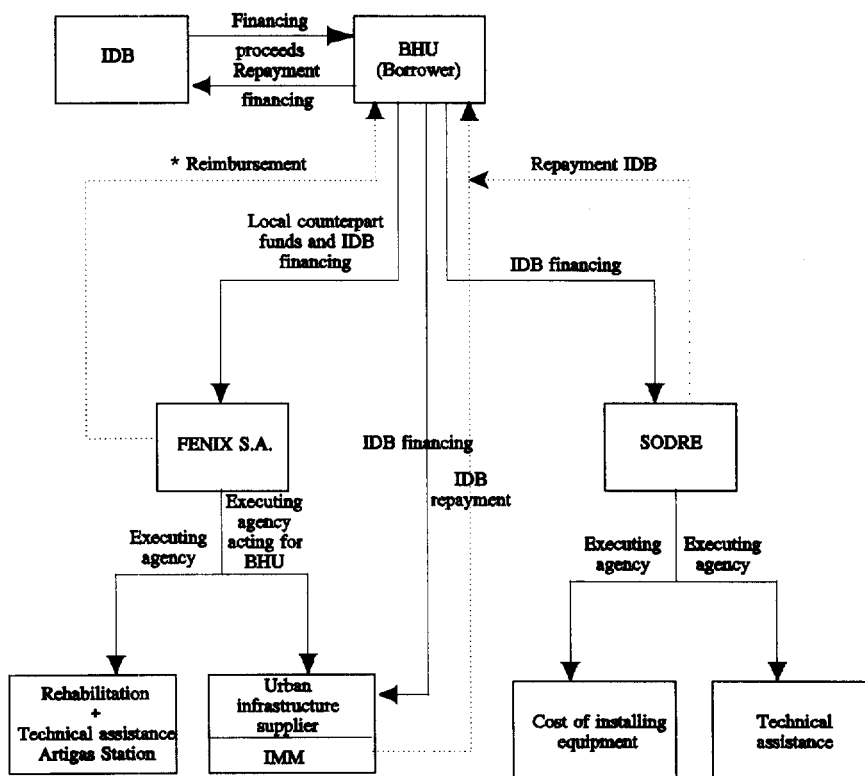
- 4.41 For the execution of this component, the corporation, acting on behalf of the BHU, will sign a contract with the Municipality of Montevideo (IMM) for execution of the works. The works will then be carried out with the program funds (local counterpart contribution and the proceeds of the Bank financing).
- 4.42 The IMM will reimburse the BHU directly for the proportion of funds that corresponds to the IDB loan, in the form agreed to between the two parties, such that the BHU is able to recoup the costs incurred.
- 4.43 This general procedure must be covered in a framework agreement outlining rights and responsibilities, and the payment mechanisms to be followed, in addition to any special agreements that are to be signed between the BHU and IMM for each specific project (see paragraph 4.36(i)).

c. SODRE component

- 4.44 In executing this component, the BHU will transfer the financing proceeds to SODRE, whereas the local counterpart funding will be drawn from its own resources and/or from public revenues.

4.45 Any costs recovered by the BHU will be returned under the national budget for services rendered pursuant to an obligation set out in law (Law No. 13.318), as well as from other sources agreed to between the parties in the framework agreement discussed in paragraph 4.36(iii) above.

NATIONAL URBAN RENEWAL PROGRAM FINANCIAL FLOWS



- (1) REHABILITATES
- (2) GRANTS CONCESSION, SELLS, ETC.
- (3) ADMINISTERS

- (1) COORDINATES WITH IMM
- (2) EXECUTES
- (3) ORDERS PAYMENT

* Contributions and earnings.

V. PROGRAM FEASIBILITY

A. Technical feasibility

1. General approach

- 5.1 Urban renewal processes are complex and take time to achieve their objectives. However, international experience has shown that if certain conditions are met there is a greater likelihood of achieving success in a program such as the one analyzed here. These conditions include: (i) incorporating commercially and financially viable uses in buildings and the area being reclaimed; (ii) generating externalities that will attract private investment, primarily by providing good infrastructure services, good access, and an updated image of public spaces; and (iii) providing a stable regulatory environment and expeditious procedures for controlling urban development, with stable and predictable rules. These criteria will be used to analyze the technical feasibility of the National Urban Renewal Plan (PNRU).

2. Incorporating sustainable uses

- 5.2 Historic buildings and marshalling yards of Artigas Station. The properties to be developed for the most part satisfy the conditions for success pertaining to this type of undertaking in that they are in an excellent location with long-term prospects for development of the area under the La Aguada District Master Plan. This plan will ensure a stable regulatory environment for private investment and the program will include projects to upgrade public spaces in the area, sending a clear message to investors of the government's determination to reverse urban decline in the district.
- 5.3 Moreover, the bidding procedures to be followed in awarding the private sector concession to operate the former terminal building and for sale of the land pertaining to the marshalling yards will contain sufficient incentives to ensure that the uses to which these properties are put will be economically and financially sustainable. Thus, sustainable conservation of the historic passenger terminal and freight sheds will depend upon the recycling of these buildings, putting them to new commercial and cultural uses which permit the concessionaire to derive sufficiently attractive economic benefits.
- 5.4 La Aguada district. The revival of this district will take place over time as market conditions improve and make the recycling of buildings or the redevelopment of land attractive to investors. Consequently, the PNRU will make it possible to bring about new and sustainable uses of the area, although given the market conditions identified in the respective studies, this process is likely to evolve slowly.

3. Generating externalities in La Aguada district

- 5.5 The investments in upgrading public spaces contemplated in stage one of the PNRU, benefiting a limited number of sites and streets in La Aguada, represent the minimum package of initiatives required to initiate the renewal process in the district and ensure the success of the effort to restore Artigas Station and develop its marshalling yards. While this package represents a very conservative position on investment in the district, the projects included will be sufficient to achieve the desired objectives.
- 5.6 A restored Artigas Station will attract visitors to the area, generating additional incentives for renewal of the district as a whole. Speeding up development of the areas making up the former marshalling yards would create further incentives. In short, the projects to upgrade public spaces under the program, along with development of the station's grounds and construction of the new headquarters for the National Telecommunications Authority (ANTEL) in the district, constitute a formidable set of activities that will generate major externalities benefiting the district.

4. Regulatory environment

- 5.7 The inclusion of the La Aguada District Master Plan as part of the Montevideo land use plan, together with its approval by the Departmental Council, will provide a regulatory environment favorable to private investment in projects to renovate buildings and redevelop land within the district.
- 5.8 This framework will include zoning regulations designed to prevent overcrowding and limit the height of different types of buildings, as follows: (i) Residential zones: buildings will be limited to 30 meters in height (the current average height is 6 to 9 meters) on main thoroughfares in the district or bordering avenues, but the joining of lots to consolidate existing residential uses will be prohibited; (ii) Industrial warehousing zone: buildings will be allowed up to 36 meters in height, and the joining of lots will be permitted; the centers of blocks may be used for parking, and the rules governing preservation of heritage sites will be enforced; and (iii) Special urban development zone for Artigas Station: buildings in the former marshalling yards will be allowed up to a height of 50 meters; the heritage preservation rules will be applied in the case of the freight sheds located there, but land use and ultimate development will be determined by the private development project judged the winning bid in the competition for the concession/sale of the station.
- 5.9 This framework will also provide a stable regulatory environment which will encourage the private investment which the program seeks to attract to the area by adopting more expeditious procedures for the granting of construction and urban development permits. Rapid approval of requests by the Departmental Council is expected to

have a significant impact, added to which public disclosure of its regulatory provisions should generate confidence among future investors interested in the area.

5. Conclusion

- 5.10 For the reasons noted, the program is judged to be technically feasible and to contain sufficient incentives to ensure reasonable achievement of its objectives.

B. Environmental and social feasibility

- 5.11 The area that will be affected by investments in the first stage of the program is part of the existing urban fabric within the district known as La Aguada, so that its positive or negative environmental impact will affect primarily the human environment. Such impact may arise either during construction of the works or during operation of the development.
- 5.12 The environmental impact assessment (EIA) of the program analyzed these various aspects. The positive effects studied include: (i) restoration of the area's historic and cultural heritage; (ii) renewal of an area in decline; (iii) better coordination of urban land use (e.g. added commercial, cultural and residential activities), gradually discouraging the existence of other uses which adversely affect the environment (such as industries that generate heavy traffic, high noise levels and disagreeable odors; (iv) provision of specialized services (parking, improved infrastructure and security); (v) creation of green space; (vi) consolidation of the area's idle infrastructure, including garbage collection, sanitary sewers and storm drains; (vii) elimination of the dangers associated with older structures which may contain contaminants (asbestos, lead-based paints) or be infested with disease carriers (e.g. rats); (viii) improved safety for pedestrians, handicapped people, and motor vehicles; and (ix) more efficient integration of passenger rail transportation in downtown Montevideo.
- 5.13 The adverse effects analyzed are deemed temporary, being restricted to the period of construction of the works. These effects include detours and interruption of traffic; production of noise, dust and liquid and solid waste; and the risk of accidents. However, construction standards in Uruguay are considered adequate to mitigate the impact of the program, and environmental protection measures will be included in the bidding conditions for awarding of the works. Among the pluses is the fact that the program's impact in terms of relocating families will be minimal: only 10 families have been identified in this category out of a total of some 1,250 families residing in La Aguada. To offset this impact, the Bank's policy will be adhered to in seeking adequate compensation for those affected. It has been proposed as well that the BHU - which

owns various housing projects in the same district - make units available for these 10 families.

C. Institutional feasibility

- 5.14 Chapter IV above contains a description of the institutional structure of the BHU, as borrower under this operation, and the development corporation which will carry out the components for restoration of Artigas Station and upgrading of urban infrastructure in La Aguada district, as well as that of SODRE which will execute the component for equipping and furnishing its new Cultural Complex.
- 5.15 Both the BHU and SODRE have the capacity to deal with the responsibilities that will arise in the course of this program, while the development corporation, which is controlled by the BHU, has been designed specifically for carrying out the tasks assigned to that company.

D. Economic feasibility

1. Method of analysis

a. Investment of public and private funds in restoration of Artigas Station

- 5.16 As indicated in earlier chapters, the restoration of Artigas Station will be carried out primarily through private investments, supplemented by the public funds necessary to preserve the building as a heritage site and to maintain it in suitable shape so that it might be offered to the private sector for operation under a concession and/or sale.
- 5.17 The feasibility of this private investment is based on an analysis of the financial returns on the commercial activities identified as having the greatest potential for development in Artigas Station, supported in turn by estimates of absorption capacity in studies of the Montevideo market.
- 5.18 Given Montevideo's soft real estate market, very conservative scenarios were used in projecting income from the various economic activities, including retail sales, offices, hotels, space for entertainment facilities and public performances, cafes and restaurants. Estimates were based on modest expectations of capturing limited additional demand given the existence of: (i) other established commercial centers competing for retail sales; (ii) sufficient capacity in the hotel industry through the year 2005; and (iii) a surplus of office space at low rates in well-located areas (e.g. in the Pocitos district). As a result, it is expected that offers from the private sector for rental or purchase of space in the station will also be modest, and are

unlikely to exceed the average commercial prices observed for comparable locations.

- 5.19 In estimating returns on private sector activities, income earned from projected sales and rentals are treated as profits. The costs include refurbishing of space within the station, including repairs to its interior facades, new construction and the building of parking spaces in the former marshalling yards. The financial internal rate of return under this analysis is 15.7%, which is considered sufficient to warrant absorbing the investment risk inherent in real estate operations of this type.
- 5.20 The estimates of overall economic rates of return on public and private investments in the component for restoration of the station are based, in turn, on the adjusted value of the net private sector operating profit mentioned above, including as well the public sector costs for development of the station and its marshalling yards, which consist of: (i) basic repairs to the station's roof and exterior facades; (ii) costs for clean-up, construction of basic infrastructure and relocation of offices and AFE passenger terminal to the former marshalling yards. The resulting NPV for the component for restoration of Artigas Station at the rate of 12% continues to be positive (US\$7.3 million).

b. Investments in public spaces and cultural components

- 5.21 The feasibility of these public investments was determined by means of a cost-benefit analysis, resulting in an economic internal rate of return (EIRR) estimated for each investment.
- 5.22 Benefits: The economic benefits for each component were defined according to the following criteria: (i) **Cultural Center in Artigas Station:** attendance observed and average per capita payment for cultural events similar to those planned for this center; (ii) **Upgrading of urban infrastructure in La Aguada:** estimated rise in real estate values in the area immediately adjacent to the station, based on an estimate of the increase in value of properties in the district where these are occupied in the same proportion with new commercial and residential uses attracted by the restoration of the station and stimulated by the land use rules contained in the La Aguada Master Plan; and (iii) **New SODRE Cultural Complex:** estimated willingness to pay of potential beneficiaries of the Complex, based on the use value of the facilities in the new auditorium and its related services, as well as the option and existence value that accrue to potential beneficiaries for having at their disposal the infrastructure permitting them to mount world-class public performances. A summary of the Montevideo cultural demand study, along with a description of the methods used for the economic evaluation of the new SODRE Cultural Complex, are available in the program's technical files.

- 5.23 Costs: The public investment costs of these components exclude the VAT in order to give a better approximation of their true economic value.

2. Results

- 5.24 The following table summarizes the estimates of public and private benefits from the program:

**Table V.1 Summary of net economic benefits of the program
(US\$ millions)**

Component	Present value discounted to 12%			IRR %
	Benefits	Costs	Net Benefits	
Restoration of Artigas Station: Private evaluation	31.6	19.0	12.6	15.8
Public and private evaluation	31.6	24.3	7.3	13.9
Artigas Station Cultural Center	2.4	1.9	0.5	15.6
Upgrading of basic infrastructure in La Aguada	9.3	7.6	1.7	18.5
New SODRE Cultural Complex	93.7	55.7	38.0	13.0
TOTAL	137.0	89.5	47.5	14.1

- 5.25 These results show that the program involves adequate returns for the private sector, as well as for each its public components. Combining these results, we see that the overall program is economically viable and justified.
- 5.26 In effect, the results indicate that there are sufficient incentives and externalities for the private sector, generated by the public investments in the station and the district alike. Meanwhile, for the public sector the results show that there is good potential for recovery of the investments in upgrading of infrastructure, but also that the investment in the station's Cultural Center must be kept to the lowest possible cost by attracting private donors which will minimize the need to channel public resources into activities that can be operated under a public-private partnership.

E. Cash flow analysis

a. Restoration of Artigas Station

- 5.27 The analysis of cash flow under the program, from the point of view of the BHU and in reference to the component for restoration of Artigas Station, considers positive flows from the royalties which

the private sector is willing to pay to the BHU for the sale or concession of the facility, as well as the residual value of the station at the end of the amortization period for the Bank's loan.

- 5.28 For the purpose of determining annual cash surpluses or shortfalls, this flow was in turn compared to the outlays that the BHU will incur for the purchase of the properties in order to meet its commitments vis-à-vis the AFE, and the expenditures necessary for carrying out basic preparations in this area prior to offering it to the private sector. On the basis of the financial analysis of the BHU presented in chapter IV above, it was concluded that the borrower has the financial capacity needed to meet its commitments.
- 5.29 The analysis carried out shows that the net income to the BHU under this component could be as high as US\$2.2 million equivalent during the first 20 years of the operation, which means that the operation makes sense for the BHU financially. The table below illustrates this result:

**Table V.2 Summary of financial flows of the BHU
(US\$ thousands)**

Income:	
From concessions and sale of land	9,540
Expenditures:	
Purchase of Artigas Station from the AFE	(7,800)
Local counterpart	(2,367)
Amortization of IDB loan (1998-2017) *	(18,603)
Operating expenses of the development corporation	(1,600)
Financial needs of the BHU	(20,830)
Estimated residual value of station in the year 2017	23,000
Net income of the BHU	2,170

* Under the component for restoration of Artigas Station.

- 5.30 Bearing in mind that at the end of the period analyzed, the BHU will own an asset with an estimated commercial value of US\$23 million, it can be seen that the net outlay of US\$20.8 million by the BHU over the same period is well worthwhile.

b. Upgrading of urban infrastructure and new SODRE Cultural Complex

- 5.31 For the components to upgrade urban infrastructure in La Aguada and build the new SODRE Cultural Complex, the BHU will assume responsibility toward the Bank for provision of local counterpart funds, servicing of the debt deriving from the Bank's loan, and channelling resources to the IMM and SODRE. In both cases, both the IMM and SODRE will supply their respective shares of local counterpart funding for those components, and will return to the BHU the funds received, together with their share of the financing costs, which will be used in partial repayment of the Bank's loan. For this reason, the execution of these two components is to be financially neutral for the BHU.

F. Benefits and risks

1. Benefits

- 5.32 The main benefit of this project will be the enhancements brought about in the project's area of influence, resulting in more and better use of facilities within the station, the district and the SODRE Cultural Complex, for both commercial and cultural purposes. One important consideration here is that the amount of public funds to be invested is relatively small compared to the private sector resources which the program is expected to mobilize for urban renewal and preservation of heritage sites. Total private spending, including direct investment and that leveraged by the program, is expected to be five times greater than the amount of public funds invested.
- 5.33 The rehabilitation of Artigas Station and upgrading of infrastructure in La Aguada district, from an urban planning point of view, will attract commercial activities and residential development, making for more efficient use of buildings and land in the area, thereby reversing the trend toward urban decay.
- 5.34 Finally, from a sociocultural standpoint, the program will help restore the area's cultural heritage by improving utilization and providing centers for cultural activities and performances, for which there is a demonstrated demand in Montevideo. The program will provide efficient management of the services offered by these facilities, ensuring coordination between the public and private sector in mobilizing grant funding for this purpose.

2. Risks

- 5.35 The main risk inherent in the program stems from Montevideo's soft real estate market, which generates only moderate demand for commercial, residential, recreational and industrial space in downtown areas. This risk will be lessened by the scaling of public and private operations involved in the program and by using

conservative demand estimates based on market studies as a basis for planned cultural and commercial activities.

- 5.36 A second, related risk is a possible lack of interest on the part of the private sector in participating in financing and running operations created under the program. To offset this possibility, the program has been designed in such a way that in the absence of private sector interest, only minimal repairs will be made to the station which are deemed to be of significant value whether or not private investment is forthcoming (see paragraph 3.7).
- 5.37 A third risk has to do with the involvement of the various public agencies (BHU, AFE, Port Authority, Ministry of Works, Municipality of Montevideo, etc.) with varying interests in the program's operations. This risk will be countered by creating a development corporation to oversee execution, and by requiring that the Departmental Council approve the master plan on behalf of the community. The plan to establish a duly incorporated development entity should make for effective cooperation and coordination among the various public agencies.

**LOGICAL FRAMEWORK OF THE NATIONAL URBAN RENEWAL PROGRAM
(UR-0112)**

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Development of a peri-central area of	<ul style="list-style-type: none"> • Increase in economic and residential activities in the peri-central area: (a) development of new economic and cultural activities (b) changes in land use (c) reduction in the number of vacant or unoccupied properties 	<ul style="list-style-type: none"> • System for monitoring the program based on information concerning development of the real estate market and land use patterns in the peri-central area 	<p>The capacity of the real estate market to absorb residential and commercial development remains modest but sufficient to respond to new opportunities for development in the peri-central area.</p>
Market conditions necessary to achieve the target area	<ul style="list-style-type: none"> • Private sector proposals for financing the rehabilitation and operation of heritage properties • Enforcement of the regulations in the Master Plan for La Aguada District governing identification of priorities for upgrading public spaces, permits for rehabilitation, new construction, land use, etc. 	<ul style="list-style-type: none"> • Awarding of contracts for concession/sale for public and private rehabilitation of heritage sites • Program of investments to upgrade public spaces, and statistics on property registration, construction permits, and the purchase and sale of properties for joint public and private sector residential and commercial development 	<ul style="list-style-type: none"> • Private expectations in the real estate market to respond to the public incentives and opportunities for rehabilitation of heritage properties • The Master Plan for La Aguada District and its regulations which are consistent with the Montevideo Master Plan, and its updates kept up to date

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
of investments in: of Artigas Station	<p>1. <u>Scheduled investments made according to executive designs and planned costs:</u></p> <p>(a1) <u>Public sector</u>: repairs to roof and exterior facades</p> <p>(a2) <u>Private sector</u>: renovation of interior facades and adaptation of spaces in central nave and marshalling yards of the station.</p> <p>Both investments are to be carried out within 3 years</p>	<p><u>For both components:</u></p> <ul style="list-style-type: none"> • Successful competition and award of a contract to the private sector for concession/sale at the end of the first year of the execution period. • Annual Work Plan (AWP) and semiannual, annual and mid-term progress reports. These reports will use the data base built with indicators which show changes in the real estate sector and land use in the area covered by the Master Plan for La Aguada District. Major benchmarks are shown in the attached matrix. As these will evolve as a result of complex medium- and long-term market processes, the matrix disaggregates the benchmarks according to residential, non-residential and cultural uses 	<p><u>For both components:</u></p> <ul style="list-style-type: none"> • There is a critical mass of private promoters willing to rehabilitate and commercial development of heritage properties • There is a minimum critical mass of donors and patrons prepared to support the operation of cultural management
of urban infrastructure in La t	(b) 14 investment projects, according to the 4-year disbursement schedule and consistent with the procurement plan for the respective program		
of equipment for development of es	(c) Equipment for the Cultural Center and for the new SODRE Cultural Complex to be executed in 2 years		
<u>assistance for cultural</u>	<p>2. Formulation of management strategies for operations during the first 18 months of the program:</p> <p>2.1 Cultural Center in <u>Artigas Station</u></p> <p>2.2 New <u>SODRE</u> Cultural Complex</p>		

Matrix of benchmarks of program impact*

Indicator	Base year	Years of execution of the program (4-5 years)	Final year (8th year)
Occupation of land and properties:			
d	9%	< 9%	0%
	n.d.	> % base year	100%
ntial	n.d.	> % base year	100%
cted area			
	120,000 m ²	7,000 m ² /year	176,000 m ²
ntial	580,000 m ²	850 m ² /year	586,800 m ²
ulation:			
ilies	1,000	48 families/year	1,384 families
alue of property:	Prices (average):		total increase in v
	US\$150/m ² (sale)	>= 50% increase	> US\$12 millic
new and existing units)	US\$350/month (rent)	>= 17% increase	> US\$5 millio
ties:			
enter:			
sons attending per year	500,000	400,000	400,000-500,00
RE Cultural Complex:			
sons attending per year	100,000	275,000-360,000	> 360,000

marks are based on market studies for Artigas Station and projections of its impact on La Aguada district, assuming an ex post evaluation in the eighth year following the st
ution. The benchmarks for cultural activities are the result of the Bank-financed study of cultural demand in Montevideo. For the execution period and final year, it is assu
marks should be achieved if they are consistent with the scheduling of events resulting from the management strategies drawn up for both cultural facilities.

PROCUREMENT PLAN

Major procurements	Financing		Method ICB or other	Prequalification yes/no	Estimated publication date quarter/yr
	IDB	Local			
Repair to roofs and facades of Artigas Station No. of lots: 1 US\$ 1.8 million	81	19	LCB	NO	I/98
New offices and AFE terminal No. of lots: 2 US\$4.4 million	81	19	ICB	NO	I/99
Renovation of cultural center in Artigas Station No. of lots: 1 US\$3.0 million	81	19	ICB	NO	II/99
Equipping of SODRE Cultural Complex No. of lots: 4 US\$10.6 million	81	19	ICB	YES	II/98
Upgrading of urban infrastructure in La Aguada, Group 1 No. of lots: 2 US\$1.5 million	81	19	LCB	NO	I/99
Upgrading of urban infrastructure in La Aguada, Group 2 No. of lots: 7 US\$1.6 million	81	19	LCB	NO	III/99
Upgrading of urban infrastructure in La Aguada, Group 3 No. of lots: 4 US\$1.1 million	81	19	LCB	NO	I/00
Upgrading of urban infrastructure in La Aguada, Group 4 No. of lots: 5 US\$1.3 million	81	19	LCB	NO	III/00
Upgrading of urban infrastructure in La Aguada, Group 5 (Calle Paraguay, Stage II) No. of lots: 1 US\$1.3 million	81	19	LCB	NO	I/01
Upgrading of urban infrastructure in La Aguada, Group 6 (City squares) No. of lots: 2 US\$1.4 million	81	19	LCB	NO	III/99
Upgrading of urban infrastructure in La Aguada, Group 7 (sidewalks, lighting and street furniture) No. of lots: 1 US\$1.2 million	81	19	LCB	NO	I/00

Major procurements	Financing		Method ICB or other	Prequalification yes/no	Estimated publication date quarter/yr
	IDB	Local			
Upgrading of urban infrastructure in La Aguada, Group 8 (sidewalks, lighting and street furniture) No. of lots: 1 US\$1.2 million	81	19	LPN	NO	IV/00
Upgrading of urban infrastructure in La Aguada, Group 9 (green spaces) No. of lots: 2 US\$1.0 million	81	19	LPN	NO	I/00
Upgrading of urban infrastructure in La Aguada, Group 10 (traffic signals) No. of lots: 1 US\$200,000	81	19	LPN	NO	II/00
Consulting cultural facilities Artigas Station US\$200,000	100	0	ICB	YES	IV/98
SODRE consultants US\$300,000	100	0	ICB	YES	II/98

PROPOSED RESOLUTION

**URUGUAY. LOAN /OC-UR TO THE REPUBLIC OF URUGUAY
(National Urban Rehabilitation Program)**

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 Banco Hipotecario of Uruguay (BHU), as Borrower, and the Republic of Uruguay, as Guarantor, for the purpose of granting the former a financing to cooperate in the execution of a National Urban Rehabilitation Program. Such financing will be for the amount of up to twenty eight million dollars of the United States of America (US\$28,000,000) which are part of the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.