

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

URUGUAY

**EMERGENCY SUPPORT FOR VULNERABLE POPULATIONS
AFFECTED BY CORONAVIRUS**

(UR-L1172)

LOAN PROPOSAL

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ABBREVIATIONS

AFAM-PE	Asignaciones Familiares del Plan de Equidad [Family Allowances – Equity Plan]
ANEP	Administración Nacional de Educación Pública [National Public Education Administration]
ASSE	Administración de los Servicios de Salud del Estado [Government Health Services Administration]
BPC	Base de prestaciones y contribuciones” [benefit and contribution basis]
BPS	Banco de Previsión Social [Social Security Bank]
BROU	Banco de la República Oriental del Uruguay [Bank of the Eastern Republic of Uruguay]
COVID-19	Coronavirus disease 2019
DGS	Dirección General de Secretaría [Secretariat Office]
DINEM	Dirección Nacional de Evaluación y Monitoreo [National Division of Evaluation and Monitoring]
ECH	Encuesta Continua de Hogares [Ongoing Household Survey]
ICC	Índice de carencias críticas [critical hardship index]
INAU	Instituto del Niño y Adolescente del Uruguay [Uruguayan Institute for Children and Adolescents]
INE	Instituto Nacional de Estadística [National Statistics Institute]
MEF	Ministry of Economy and Finance
MIDES	Ministry of Social Development
PCU	Project coordination unit
SIAS	Sistema de Información Integrada del Área Social [Integrated Social Sector Information System]
SIIF	Sistema Integrado de Información Financiera [Integrated Financial Information System]
TCR	Tribunal de Cuentas de la República [Audit Office of the Republic]
TUS	Tarjeta Uruguay Social [“Social Uruguay” card]
VAT	Value-added tax
WHO	World Health Organization

PROJECT SUMMARY

URUGUAY EMERGENCY SUPPORT FOR VULNERABLE POPULATIONS AFFECTED BY CORONAVIRUS (UR-L1172)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Eastern Republic of Uruguay			Amortization period:	25 years
Executing agency:			Disbursement period:	2 years
The borrower, acting through the Ministry of Economy and Finance (MEF)			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
			Credit fee:	(c)
IDB (Ordinary Capital):	125 million	100%	Inspection and supervision fee:	(c)
Total:	125 million	100%	Weighted average life:	15.25 years
			Currency of approval:	U.S. dollars
Project at a Glance				
Project objective/description: The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income and employment levels for those affected by the coronavirus in the immediate period and during the recovery.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) the project Operating Regulations have entered into force on the terms approved by the Bank; (ii) the executing agency has designated the project coordination unit (PCU), including the project coordinator, under the Secretariat Office (DGS) of the Ministry of Economy and Finance (MEF); (iii) the executing agency has signed subsidiary agreements with the Ministry of Social Development (MIDES) and the Social Security Bank (BPS) for execution of the project resources and activities under the responsibility MIDES and BPS (see paragraph 3.5).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)		SI	<input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/> EI <input type="checkbox"/>
Crosscutting themes: ^(e)		GD	<input checked="" type="checkbox"/>	CC <input type="checkbox"/> IC <input type="checkbox"/>

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

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

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

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

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **Background.** On 11 March 2020, the World Health Organization (WHO) declared COVID-19, the disease caused by the 2019 novel coronavirus, or nCoV-2019, which affects the respiratory system, a pandemic. According to the WHO, thus far there have been more than 18 million confirmed infections and 691,000 deaths reported worldwide.¹ The first cases in Latin America and the Caribbean were reported in late February; these numbers have been growing rapidly since then and currently stand at nearly five million confirmed cases and more than 202,000 deaths.² COVID-19 can spread easily from person to person through respiratory secretions and direct contact.³ For this reason, social distancing and isolation measures are essential features of the public health response with the goal of reducing the number of healthy people whom a patient can infect.
- 1.2 **Macroeconomic and/or social context of the region.** Latin America and the Caribbean have made notable progress in reducing poverty over the last 30 years, reaching percentages near 30% at the end of 2019. However, while transitioning from poverty to higher levels of well-being, 37% of the population are income vulnerable, i.e., highly likely to fall into poverty in the event of major economic shocks.
- 1.3 **Regional problems to be addressed.** The health measures necessary to fight COVID-19, particularly physical distancing, have had immediate impacts and will have lasting consequences in the countries of the region. This will lead to a very significant economic contraction with immediate manifestations and lingering effects, even when the health emergency is over. The repercussions of the crisis will hurt the income of most people, especially the poorest groups, who depend on their largely informal work activities to support their consumption. The Economic Commission for Latin America and the Caribbean (ECLAC) projects that the number of people in poverty will rise by at least 35 million (from 185 million to 220 million). Formal sector workers will also be at risk, as businesses are hard pressed to preserve precrisis employment and wage levels. According to Azuara et al. (2020),⁴ a loss of formal jobs could occur, affecting between 5.4 million and 18 million workers, and informal employment (i.e., employees without social security coverage) could increase significantly and come to represent 62% of total jobs.
- 1.4 **Challenges and progress in Uruguay.** After the first positive cases of COVID-19 were confirmed in Uruguay, a health national state of emergency was declared on 13 March 2020.⁵ Since then, the Government of Uruguay has been implementing the National Contingency Plan for the Novel Coronavirus, which includes a series

¹ See WHO Coronavirus Disease (COVID-19) Dashboard at <https://covid19.who.int> (4 August 2020).

² <https://www.paho.org/en/topics/coronavirus-infections/coronavirus-disease-covid-19> (3 August 2020).

³ <https://www.who.int/es/emergencies/diseases/novel-coronavirus-2019/advice-for-public/q-a-coronaviruses>.

⁴ Azuara, O. et al., 2020: "Escenarios de pérdida de empleos formales por COVID-19 en América Latina y el Caribe," unpublished document, IDB.

⁵ Decree 93-020.

of measures for each phase of the pandemic that, judging from the health outcomes thus far, have been successful. Uruguay currently has some of the lowest levels of cumulative positive cases and deaths caused by COVID-19 (38.0 and 1.05 per 100,000 people, respectively) among Latin American and Caribbean countries.⁶

- 1.5 Despite the country's encouraging health outcomes so far, the pandemic has amplified existing economic and social vulnerabilities. Prior to the COVID-19 emergency, Uruguay had a sluggish economy, deteriorating job market, and widening fiscal deficit. Economic growth had begun slowing 2015 (1.3% average annual growth for the past five years), and the unemployment rate had risen from 6.6% in 2014 to 10.5% in February 2020. The fiscal balance had also deteriorated in recent years. The fiscal deficit of the nonmonetary public sector was 4.3% of GDP in the rolling year to February 2020 (adjusted for extraordinary factors), while the public debt has been trending upward since 2014 (63% of GDP in 2019). After 12 years of a steady decrease in the number of people with incomes below the poverty line, that indicator rose slightly in 2018 (from 7.9% in 2017 to 8.1%), accelerating to 8.8% in 2019.
- 1.6 The necessary implementation of physical distancing measures when the virus emerged may have worsened these vulnerabilities and further increased poverty. The central bank's June survey of expectations projected a 3.8% decline in GDP in 2020, as well as a 12.6% decline in unemployment. Informal⁷ and low-income workers may be some of the groups hardest hit by the pandemic. Around 59% of informal workers have occupations with low potential for remote work, whereas for formal workers that indicator is 46%. Moreover, 63.7% of informal workers in occupations with low potential for remote work are in the first income quintile, whereas for workers in the second quintile that indicator is 31.8%.⁸
- 1.7 An IDB study estimated that between 7.5% and 21% of formal jobs may be lost in Uruguay, depending on the duration of physical distancing measures and delays in starting the economic recovery.⁹ According to reports from Uruguay's Social Security Bank (BPS), while between February and April 2020 the unemployment rate fell from 10.5% to 9.9%, during the same period the activity rate declined from 63% to 57.7% and the employment rate declined from 56.4% to 52.1%. Between March and May 2020, 15,500 employees in formal jobs were laid off.¹⁰
- 1.8 To mitigate the social impact of the pandemic on the sectors with the highest employment vulnerability, after declaring a health national state of emergency, the

⁶ Health Monitoring Department. Epidemiology Division of the Ministry of Public Health (updated as of 4 August 2020).

⁷ According to the 2018 Ongoing Household Survey (ECH) of the Labor Markets and Social Security Information System. In Uruguay, informality in the labor market is estimated at 24.7%, encompassing approximately 61% of employed workers in the first income quintile. This percentage is higher for younger populations.

⁸ Estimates from the National Division of Evaluation and Monitoring (DINEM) of the Ministry of Social Development (MIDES), based on a Potential for Remote Work Index applied to the 2019 ECH.

⁹ Azuara et al. (2020). ¿Cómo impactará la COVID-19 al empleo? Posibles escenarios para América Latina y el Caribe. IDB, April 2020. <http://dx.doi.org/10.18235/0002301>.

¹⁰ Source: National Statistics Institute (INE), June 2020.

Uruguayan government began implementing a series of temporary income support measures for families or individuals affected by the economic impact of the pandemic. These measures include: (i) a 50% increase in monthly transfers by the two main social assistance programs, the “Social Uruguay” card (TUS) and the Family Allowances – Equity Plan (AFAM-PE);¹¹ (ii) the creation of the Emergency Food Basket program; and (iii) the approval of a special regime for unemployment benefits for private-sector workers impacted by the national health emergency.

- 1.9 **“Social Uruguay” card (TUS).** Created in 2008,¹² TUS is an unconditional cash transfer program for households in conditions of extreme socioeconomic vulnerability. Its main objective is to ensure a basic level of access to food and essentials for families living in extreme poverty.
- 1.10 Beneficiary families of the TUS card are selected using the critical hardship index (ICC), which scores each household based on a self-completed questionnaire, followed by a certification home visit by a team from the Ministry of Social Development (MIDES). The index uses a multidimensional family approach, combining traditional measures of income with other dimensions such as educational level, housing conditions, and job status of the adults. The threshold for TUS eligibility is established twice a year based on the Ongoing Household Survey (ECH). In addition to the critical hardship index, the TUS program uses other categorial eligibility criteria to address specific emergency and vulnerability situations, such as those experienced by people who are homeless, transgender, or in a housing emergency. The program currently has some 86,000 beneficiary households. Approximately 92% of TUS beneficiaries are in the first and second income quintiles.¹³
- 1.11 The amount received on the TUS card varies according to the household’s makeup and socioeconomic condition. The basic transfer of 1,201 Uruguayan pesos is for families without children or with one minor, stepping up gradually to the limit of 3,230 pesos for families with four or more minors. Families in the highest hardship threshold receive twice this amount, up to 6,460 pesos. Households with a pregnant woman or children under age 4 receive a supplement of 292 pesos. On average, each family receives approximately 2,500 pesos per month, equivalent to 15% of the current minimum wage of 16,300 pesos.
- 1.12 Beneficiaries receive a prepaid magnetic card that is reloaded monthly and can be used in a network of merchants known as “Comercios Solidarios”¹⁴ to purchase food and essentials without paying value-added tax (VAT). The card may also be used to pay for some utilities and gives access to other benefits such as discounts on household gas purchases.

¹¹ For households that receive both transfers, the temporary measure only calls for an increase in the TUS.

¹² Successor to the Tarjeta Alimentaria food benefits program of 2006.

¹³ Mecanismos de focalización de los programas de transferencias monetarias en América Latina: el caso del Uruguay. Economic Commission for Latin America and the Caribbean (ECLAC), 2020.

¹⁴ In 2018, 2,432 participating merchants, including large supermarkets, had point-of-sale technology to accept these payments. TUS beneficiaries living in locations without participating merchants receive an additional amount for transportation.

- 1.13 **Family Allowances – Equity Plan (AFAM-PE).** The AFAM-PE program—a benefit compatible with the TUS program—is a conditional transfer program to provide monetary assistance to supplement household income for families with dependent children who live in economically vulnerable conditions. It also seeks to encourage children and adolescents to stay in the education system, and to incentivize health care for children, adolescents, and pregnant women. AFAM-PE, which was approved in 2008, provides variable assistance based on the number of beneficiaries per family, the educational level, and whether a member of the household has physical or mental disabilities. Beneficiaries are children and adolescents living in economically vulnerable households, as well as children and adolescents living full time in the facilities of the Uruguayan Institute for Children and Adolescents (INAU). These benefits are administered by the legal guardians of minors; women are given priority in assuming this role.
- 1.14 The benefit amount is based on the household. The basic amount per beneficiary (pregnancy, children under age 5, and school-age children) is 1,757 pesos. A supplement of 773 pesos is given for beneficiaries enrolled in high school or college, with disabilities, or living in an INAU facility. To calculate the total benefit, the amounts are multiplied by the corresponding number of beneficiaries, but on a scale of 0.6 per beneficiary.¹⁵ These eligibility criteria must be met to receive benefits: (i) enrolled and regularly attending a formal or nonformal educational institution, with the exception of persons with disabilities; (ii) completed medical checkups corresponding to their age; (iii) for those over age 18 with disabilities, completed one medical checkup every three years; and (iv) beneficiary is a resident of Uruguay. BPS is responsible for verifying and ensuring that all beneficiaries meet eligibility requirements. On a monthly basis, BPS verifies the status of beneficiaries. If applicable, benefits are suspended. In addition, jointly with the National Public Education Administration (ANEP), BPS verifies twice per year that beneficiaries are enrolled and attending educational centers.
- 1.15 There are two mechanisms for accessing the AFAM-PE benefit. For the first one, an application is filed at a BPS office. The information provided by the applicant is treated as an affidavit and used to calculate the value of their critical hardship index. Accessing benefits via this mechanism does not require a home visit. BPS conducts an automated verification of the annual per capita formal income threshold. A second mechanism for accessing the AFAM-PE benefit is a home visit by MIDES teams, as part of verifying information for the TUS program or one of its family support programs.
- 1.16 To collect AFAM-PE benefits, BPS provides a bank account with a linked debit card. This card can be used in a network of participating merchants—which provides the additional benefit of a full VAT discount—or to withdraw cash from ATMs. BPS monitors account activity to reduce irregularities. In particular, after four months of inactivity, benefits are suspended.
- 1.17 Based on information from the TUS and AFAM-PE rosters, currently more than 225,000 families receive benefits from at least one of these programs; 4% receive

¹⁵ This equivalency factor is not applied for persons with disabilities or those under the guardianship of the INAU.

benefits from TUS, 61% from AFAM-PE, and 35% from both.¹⁶ Women account for approximately 51%, 49%, and 60% of the heads of household for these groups; and Afro-descendants, 29%, 16%, and 23%.¹⁷

- 1.18 **Emergency Food Basket.** This temporary benefit is intended for informal workers not receiving other benefits such as TUS or AFAM-PE, and without unemployment insurance, pensions, or other government benefits. The amount provided is a single monthly payment of 1,200 pesos per person. To obtain this benefit, applicants complete an online form that is treated as an affidavit. MIDES then reviews whether the person meets eligibility criteria and sends a notification to their cellular phone asking them to download an app. With this app installed, beneficiaries obtain access to a code validated as a payment method (voucher) at participating merchants, which can be renewed monthly.¹⁸ To date, according to MIDES, some 243,000 people have received the voucher at least once.
- 1.19 **Unemployment insurance.** Unemployment insurance¹⁹ is the main income-protection instrument for the private sector's formal wage-earning employees, who according to the 2018 ECH, account for 67.7% of wage earners in Uruguay. This insurance is intended to protect the income of such employees (earning monthly or daily wages) who are registered with BPS, under three circumstances: job loss, partial furlough, or reduced working hours. To be eligible for the subsidy, monthly workers must have been on the payroll of one or more companies for a minimum of 180 days (not necessarily continuous) during the 12 months prior to the claim. Day laborers must have worked 150 shifts during the same period and with similar conditions. Workers with variable compensation must have received income exceeding six times the benefit and contribution basis (27,114 pesos).²⁰ For rural or domestic workers, some of these requirements are more flexible. In addition, when a worker uses up a full subsidy (6 months or 72 shifts), continuously or not, 12 months must elapse before they are again eligible to receive the benefit. The benefit amount is calculated based on the compensation for the six months prior to the time of the claim. In the case of layoffs, benefits last for up to six months (longer for older adults), with decreasing monthly payments²¹ since the 2008 reform. Under the furlough modality, subsidies last for 4 months or 48 shifts, depending on the type of compensation, and the subsidy represents 50% or 12 shifts of the compensation amount for the past 6 months.
- 1.20 Having unemployment insurance already in place has enabled Uruguay to respond quickly to the effects of COVID-19 on jobs. Between February and March 2020,

¹⁶ Estimates prepared by the authors from the 2019 ECH.

¹⁷ According to the 2011 Census, 8.1% of the population of Uruguay self-identified as having "Afro" or "Black" ancestry.

¹⁸ People without cellular phones can request a physical basket by calling a toll-free number and scheduling a pickup at local MIDES offices.

¹⁹ Regulated by Decree-Law 15180 of 1981, as amended (Law 18399 of 2008 and Law 19003 of 2012).

²⁰ The benefit and contribution basis (BPC) is an index used in Uruguay to calculate taxes, income, and social benefits.

²¹ The shorter duration of unemployment benefits not only involves fewer outlays for the government in terms of subsidy payments, but for workers it reduces human capital depreciation, as well as the emotional and social impacts of unemployment (Alaimo et al., 2015).

the number of people collecting subsidies (for any reason) increased from around 47,500 to 124,000. From April 2018 to February 2020, there were an average of 11,500 new monthly unemployment subsidy claims.²² On average, reasons for these claims were: 44% for dismissal, 36% for furlough, and 18% for reduced working hours.²³

- 1.21 The Ministry of Labor and Social Security is responsible for regulating unemployment insurance, while BPS is responsible for its financing, management, and oversight. To obtain access to this insurance, a company must file a claim for unemployment subsidies for its employee on the BPS portal within 10 business days of the date of the event (dismissal, furlough, or reduction). Once the claim is filed, BPS verifies its eligibility and sends the result to the company, which notifies the employee about the result. If the company refuses to submit the claim, the employee must go to a BPS office within 30 calendar days after the dismissal, furlough, or schedule reduction to preserve their right to claim benefits. If this employee does not appear within the deadline, they will completely lose the subsidy for the elapsed month(s).²⁴
- 1.22 To strengthen unemployment insurance as an instrument to mitigate the impact of the pandemic in terms of the permanent severing of formal employment ties, in March 2020 the Uruguayan government instituted a special regime for unemployment benefits for private-sector workers affected by the national health emergency. This regime entered into force as of 1 April. This subsidy benefits monthly payroll employees in situations of partial furlough or reduced activities, who participate in the legal framework of traditional unemployment insurance. The partial furlough may range between 6 and 19 days during the work month, whether full days or 50% of regular working hours. The reduction must occur while the ministerial resolution of 3 April 2020 is in effect. Starting in April, the amount to be received, which includes the subsidy paid by BPS and what the company paid for the period the employee actually worked, cannot be below 75% of the worker's average monthly compensation for the past six months. In April, 191,432 employees received insurance coverage, and in May, 193,917. Between 1 and 17 June, BPS received 56,396 unemployment insurance claims, 33% of which were for traditional unemployment benefits, and 67%, for the new special partial unemployment subsidies. Among the employees claiming traditional benefits, the majority requested them because of furlough, with 11,263 cases or 60.57%; reduced working hours, 4,786 cases or 25.7%; and dismissal, 2,547 or 13.7%. Moreover, during the same period, under the new partial insurance system, there were 37,800 partial unemployment insurance claims for monthly-wage employees: 18,581 for reduced days and 19,219 for reduced hours.²⁵
- 1.23 **Digital Single Window.** During the management of the pandemic, it has become evident that the administration of the noncontributory pillar of Uruguay's social safety net needs to be made more efficient. This administration is fragmented

²² With a minimum of 8,992 claims approved in February 2019 and a maximum of 15,653 in January 2019.

²³ Source: A.G.S.S. – Asesoría Económica y Actuarial, 2020.

²⁴ If the beneficiary employee is unable to file the claim or collect the subsidy, this can be done by a third party with power of attorney.

²⁵ Source: Data provided by BPS.

among programs managed by different government agencies, despite the high degree of overlap in their beneficiary population. The fragmentation of these programs increases administrative expenses and creates rigidities in adjusting benefits to a household's vulnerability level. In addition, it complicates the strategic vision of the role that the social safety net should play as an instrument for poverty reduction and social development. It also adds complexity to the process of setting technical/operational parameters for these types of interventions to be consistent with that vision.

- 1.24 The need was also identified to improve coordination between social protection programs and other social policies and programs that are complementary for promoting the human capital development of their beneficiaries. As a basic element, achieving this necessary coordination calls for the ability to integrate, in a more nimble and digitally savvy manner, the data about the various interventions implemented—or not being implemented—by the Government of Uruguay at the family and individual level.
- 1.25 In response to these challenges, the Uruguayan government intends to develop a platform to integrate the process of identification, selection, and recertification of beneficiaries for the country's three main cash transfer programs: the "Social Uruguay" card (TUS), the Family Allowances – Equity Plan (AFAM-PE), and the Contributory Family Allowances program. This platform, to be used by MIDES and BPS, will be known as Ventanilla Única Digital [Digital Single Window]. The platform will feature a digital affidavit to be processed in the local offices of MIDES or BPS. To validate a beneficiary's potential eligibility to receive or continue receiving benefits, a reliability index regarding the data provided will be generated, based on automated cross-checking with other government information systems. This algorithm will enable MIDES representatives to conduct home visits in cases with a low index. In addition, this mechanism is expected to improve the productivity of these visits, since representatives would only need to collect information unavailable in administrative records.
- 1.26 The mechanism would become an alternative to home visits by MIDES, which are currently the only way to include a household identified as a potential beneficiary for the TUS card and around 30% of minors who are potential beneficiaries of the AFAM-PE program. Home visits are also the only method to recertify eligibility by verifying the original conditions that made beneficiaries eligible for one or both benefits. The limited operational capacity of MIDES to conduct these visits has translated into significant delays in serving households in need of the benefit, as well as inadequate implementation of the recertification process.
- 1.27 The platform will also replace the "rigid" affidavit process that BPS currently has for the remaining requests for inclusion or recertification for the AFAM-PE. It will implement a smart forms mechanism to reduce processing time, errors transcribing information, and unnecessary entry of information available from the government.
- 1.28 One of the information systems against which data from the digital affidavit will be cross-checked is the Integrated Social Sector Information System (SIAS). Although the SIAS is a robust information technology platform to cross-verify specific benefits provided by various government agencies, the information is usually submitted asynchronously and with limited quality controls. Therefore, as

part of implementing the smart digital single window, this project also calls for strengthening the mechanisms for interoperability with the information systems of the Social Security Bank (BPS), the National Public Education Administration (ANEP), and the Government Health Services Administration (ASSE). These three government agencies have essential information for reviewing eligibility and fulfillment of conditionalities for cash transfers. In addition to facilitating cross-checking of data between systems, this interoperability mechanism is seen as a pilot strategy to foster coordination among social protection programs and human capital development programs.

- 1.29 **Rationale and strategy.** To offset loss of income and protect employment as a result of implementing physical distancing measures to respond to COVID-19, large-scale compensatory policies like those being implemented by the Government of Uruguay will be necessary. International experience has shown that temporarily increasing the amounts of existing cash transfer programs such as TUS and AFAM-PE offer a good platform to offset the income losses that more vulnerable households may experience as a consequence of a temporary aggregate shock to their incomes. Moreover, creating a mechanism such as the Emergency Food Basket program is justified by the existence of an aggregate shock—with variable impacts by sector—that is affecting informal workers facing reduced sources of income, even though they previously did not receive benefits from traditional social assistance programs.
- 1.30 In addition, although unemployment insurance temporarily protects loss of income for formal workers, there is evidence that by contributing to reduce the permanent elimination of viable employment relationships—which are only affected in the context of a temporary shock—this mechanism has a long-term positive impact in terms of employability and employment income.^{26 27} This job destruction would entail great losses of human capital specific to the company. Once the crisis ends, the company would incur high costs forming new employment relationships,²⁸ which would negatively impact productivity.
- 1.31 The fact that the transfers under this project are made electronically with mechanisms allowing them to be used without necessarily making a bank withdrawal is consistent with good practices for promoting sustained physical distancing, reducing the likelihood of crowds gathering to withdraw the transfers.
- 1.32 **The Bank's experience and lessons learned.** Since the mid-1990s, the Bank has supported the design, implementation, and assessment of cash transfer programs in 18 countries of the region. For example, it pioneered support for the development of conditional cash transfer programs in Honduras and Nicaragua, and their consolidation in Mexico. In 2009, as part of the response to the international financial crisis, the Bank supported the introduction of a food

²⁶ Jacobson, L., R. LaLonde, and D. Sullivan (1993). "Earnings Losses of Displaced Workers." *The American Economic Review*. For Uruguay: Amarante, Arim, and Dean (2014).

²⁷ Davis, S. and T. M. von Wachter (2011). "Recessions and the Cost of Job Loss." *National Bureau of Economic Research*.

²⁸ The average tenure of wage-earning jobs in Uruguay in 2018 was eight years (IDB-Labor Markets and Social Security Information System (SIMS), 2019), one of the highest in the region.

component for transfers in Mexico. These experiences generated lessons learned regarding the relevance of interventions such as those planned for Components 1 and 2 of this project, and the factors to be considered in designing the digital single window. Program evaluations demonstrated that cash transfers have been effective in reducing the incidence, and particularly, the intensity, of poverty and inequality, and that they are the most effective instrument to nimbly redistribute resources to the most vulnerable families. This knowledge was recently collected in a book on the operational cycles of conditional cash transfer programs and the lessons learned from 20 years of implementation in the region.²⁹

- 1.33 The Bank also has experience supporting active and passive labor market policies, including labor intermediation services, job training, and wage subsidies. This support has been through specific investment projects and technical assistance. Technical knowledge exchange has taken place at the regional level through the Technical Support Network to Employment Services in Latin America and the Caribbean (“Red SEALC”).³⁰ This experience is relevant in analyzing the potential effectiveness of the temporary measures adopted for unemployment insurance as part of Component 3 of this project. Significantly, the Bank has assisted several governments of the region (Colombia, Peru, Uruguay, and others) with the analysis, design, or strengthening of policies for unemployment insurance and benefits.³¹
- 1.34 **Coordination with other portfolio projects.** This project is an additional instrument for the IDB to support the Government of Uruguay in addressing the health, social, economic, and fiscal emergency caused by COVID-19. As part of this effort, the country requested disbursement of previously approved policy-based loans for US\$1.05 billion.³² In the second quarter of this year, the Bank approved two new lending operations: the Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Uruguay (loan 5434/OC-UR) for US\$350 million, and the Global Credit Program for Safeguarding the Productive Fabric and Employment (loan 5058/OC-UR) for US\$80 million. In addition, Uruguay requested that uncommitted resources of two loans in execution be redirected: US\$7.3 million from the Program to Support the National Integrated Care System (loan 3706/OC-UR), to purchase health care supplies in response to the pandemic; and US\$1.1 million from the Comprehensive Citizen Security Program (loan 3785/OC-UR), to purchase ankle monitors for the protection of victims of gender violence. This redirection of resources did not entail substantive changes to those programs. Moreover, through the Program to Promote Innovation, Entrepreneurship, Human Capital, and Research (loan 4847/OC-UR), support was provided to the National Research and Innovation Agency (ANII) for the domestic

²⁹ Ibarrarán et al. (2017). <https://publications.iadb.org/en/how-conditional-cash-transfers-work>.

³⁰ <https://www.iadb.org/es/redsealc>.

³¹ For a summary of lessons learned from active labor policies and unemployment insurance design, see: Alaimo et al. (2015). *Jobs for Growth*. Washington, D.C.: IDB.

³² Loans 3627/OC-UR, 3365/OC-UR, 3418/OC-UR, 4430/OC-UR, and 4857/OC-UR.

production of 10,000 polymerase chain reaction (PCR) test kits, as well as antibody serology tests and ventilators.³³

- 1.35 **Coordination with other multilaterals and cooperation agencies.** The IDB and the World Bank have coordinated the preparation of policy matrixes for operations involving health, social, and fiscal measures, including the approval of the budget boost for the extraordinary increase in the amount of the TUS and the flexibility measures for unemployment insurance. The Development Bank of Latin America (CAF) approved a US\$50 million contingent loan that includes recognition of expenditures in the areas of health and social protection, as well as potential transfers to social security and assistance. The MEF will be responsible for ensuring that financing from the CAF and this operation complement each other.
- 1.36 **Strategic alignment.** The project is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the challenges of: (i) social inclusion and equality, through support for maintaining minimum levels of income and welfare for the populations most vulnerable to COVID-19; and (ii) productivity and innovation, through actions to maintain employment levels and preserve human capital. The project is also aligned with the crosscutting area of: (i) gender equality and diversity, through prioritization of the populations vulnerable to COVID-19, including woman and Afro-descendant heads of household, under a differentiated structure for households with members who have physical or mental disabilities. The project will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: “beneficiaries of anti-poverty programs” and “beneficiaries of employment support initiatives.” The operation is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable populations, particularly against external shocks, through responsive social protection policies; and with the Labor Sector Framework Document (document GN-2741-7) through the first dimension of success: (i) the region’s citizens have more, and more equitable, opportunities to access formal jobs with better wage expectations, through active employment policies supplemented by income support policies for the unemployed and for workers experiencing temporary loss of income because of reduced working hours, to cushion consumption losses and either maintain formal jobs during the crisis or facilitate the return to the job market. Lastly, this project is consistent with the Proposal for the IDB Group’s Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996).

B. Objectives, components, and cost

- 1.37 **Objectives.** The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income and

³³ Development of the test kits was the result of one of the challenges envisioned as an output of this loan based on results.

employment levels for those affected by the coronavirus in the immediate period and during the recovery.

- 1.38 **Component 1. Protection using existing cash transfer programs (US\$30.63 million).** The objective of this component is to protect the incomes of low-income informal workers by financing cash transfers using existing platforms for identification and payment to vulnerable populations.
- 1.39 **Subcomponent 1.1. Protection of vulnerable populations through existing nonconditional cash transfer programs (US\$14.66 million).** This subcomponent will finance extraordinary cash transfers to households that are beneficiaries of the “Social Uruguay” card (TUS) program, while this measure is formally in effect. The planned resources are equivalent to fully funding the TUS program’s roster of beneficiaries for four months.
- 1.40 This subcomponent will also finance consulting services, nonconsulting services, and procurement of goods necessary to develop and implement the Digital Single Window. These investments will be identified based on an assessment of the legal or regulatory changes required to launch the single window, the current architecture of the information technology systems involved, and the design of the operational and technology processes to be implemented. Accordingly, this subcomponent includes an indicative budget line of up to US\$1 million.
- 1.41 **Subcomponent 1.2. Protection of vulnerable populations through existing conditional cash transfer programs (US\$15.97 million).** This subcomponent will finance extraordinary cash transfers to beneficiaries of the Family Allowances – Equity Plan (AFAM-PE) program, while this measure is formally in effect. The planned resources are equivalent to fully funding the AFAM-PE program’s roster of beneficiaries for four months. Households with double benefits, from the TUS and the AFAM-PE, will be included in Subcomponent 1.1.
- 1.42 **Component 2. Protection for the vulnerable population not on the rolls of existing transfer programs, working in the informal sector (US\$27.7 million).** The objective of this component is to protect the incomes of low-income informal workers by financing cash transfers through nontraditional mechanisms developed amid the pandemic. Specifically, this component will finance cash transfers to beneficiaries of the Emergency Food Basket program, while this measure is formally in effect. The planned resources are equivalent to fully funding the food program’s current beneficiaries for five months.
- 1.43 **Component 3. Protection for the vulnerable population working in the formal sector (US\$66.59 million).** This component will finance actions to shield formal sector jobs, as well as the incomes of vulnerable populations working in the formal sector who are at risk of losing their jobs. Specifically, this component will finance unemployment insurance transfers to formal workers who have been furloughed or whose working hours were reduced, including workers benefitting from temporary measures to make unemployment insurance more flexible. The planned resources are equivalent to fully funding these measures for eight months.
- 1.44 **Project audit and evaluation (US\$0.08 million).** This item will finance the external audit of the project and a required qualitative assessment to analyze how much of the achievement of the project’s impact and outcome indicators can be attributed to it.

- 1.45 **Beneficiaries.** The actions planned for this operation will target socially vulnerable people whose income has been directly affected or who might lose their formal jobs amid the COVID-19 pandemic. The project will contribute to maintaining a minimum income level for the over 225,000 beneficiary households of the TUS and the AFAM-PE programs, and the nearly 243,000 people currently receiving the Emergency Food Basket benefit. By design, these measures benefit households that are vulnerable because of their income, including those with women or Afro-descendant heads of household and households with members who have physical or mental disabilities. Moreover, through unemployment insurance, the project is expected to benefit some 48,000 formal workers who are at risk of becoming unemployed as a result of the pandemic.

C. Key results indicators

- 1.46 **Expected outcomes.** The project will contribute to maintaining standards of living for people vulnerable to the effects of COVID-19 whose income level and employment are affected. At the outcomes level, this objective will be evaluated via the following indicators: (i) households in the first and second income quintiles receiving extraordinary transfers; (ii) households in the first and second income quintiles with women heads of household receiving extraordinary transfers; (iii) persons without formal jobs and not benefitting from preexisting social assistance programs receiving extraordinary transfers; (iv) women without formal jobs and not benefitting from preexisting social assistance programs receiving extraordinary transfers; and (v) formal jobs in the private sector shielded from being lost. At the impacts level, the project seeks to: (i) protect the incomes of vulnerable households to mitigate their risk of falling below the poverty line; and (ii) promote the retention of formal jobs in the private sector. The parameters used to establish the targets for these indicators are presented in the [monitoring and evaluation plan](#).
- 1.47 **Economic viability.** The economic rationale for the actions proposed here is based on preserving human capital through policies that seek to ease consumption, reduce food insecurity, and preserve skills by protecting jobs. In addition, there will be a multiplier effect on the economy and lives saved by reducing the COVID-19 transmission rate through the implementation of social distancing measures. Income compensation for the poor and vulnerable amid the COVID-19 crisis will reinforce health measures and help families maintain minimum levels of well-being. Labor policies will help drive the recovery by keeping job losses in the formal sector as low as possible during the crisis and ensuring that vulnerable populations can return to the job market during the recovery. Based on the foregoing, a cost-benefit analysis was done using a 5% discount rate,³⁴ which estimated a net present value of US\$84.4 million and a benefit-to-cost ratio

³⁴ There is a vast body of theoretical and empirical literature justifying the use of a lower discount rate for social projects, where the benefits materialize in the medium and long term, have significant externalities, and cannot be directly quantified in monetary terms. A recent study estimated the discount rate for social projects in 17 Latin American countries, recommending the use of a rate of 3.77%. See Moore, M. et al. (2019). "Social Discount Rates for Seventeen Latin American Countries: Theory and Parameter Estimation," Public Finance Review.

of 1.67 in the base-case scenario, suggesting that, as a whole, the proposed actions are economically beneficial.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is a specific investment loan for a total of US\$125 million and will be financed with resources from the Bank's Ordinary Capital. The disbursement period will be two years.³⁵

Table 1. Estimated project costs (US\$ millions)

Components	IDB (Ordinary Capital)	%
Component 1. Protection using existing cash transfer programs	30.63	24.51
Subcomponent 1.1. Protection of vulnerable populations through existing nonconditional cash transfer programs	14.66	11.73
Subcomponent 1.2. Protection of vulnerable populations through existing conditional cash transfer programs	15.97	12.78
Component 2. Protection for the vulnerable population not on the rolls of existing transfer programs, working in the informal sector	27.70	22.16
Component 3. Protection for the vulnerable population working in the formal sector	66.59	53.27
Project audit and evaluation	0.08	0.06
Total	125.00	100.00

B. Environmental and social safeguard risks

- 2.2 In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program has been classified as category "C," as it is not expected to cause negative environmental or social impacts, or such impacts will be minimal. The project will not finance any physical infrastructure components, so no associated environmental or social impacts or risks are anticipated.³⁶

C. Fiduciary risks

- 2.3 Two medium-level fiduciary risks associated with this project were identified: (i) potential inconsistencies or errors in the personal data of beneficiaries as a result of manual processing by MIDES in exchanging and/or validating database information for the extraordinary transfers under the "Social Uruguay" card (TUS) and Emergency Food Basket programs; and (ii) interagency coordination among the MEF, MIDES, and BPS, which could cause delays in resource transfers and accountability reporting to the Bank. The mitigation measures identified are as

³⁵ The Bank's project team projects that, within this length of time, the planned proceeds for the loan will have been executed, accounted for, and audited, and the necessary information will be available to prepare the project completion report.

³⁶ Expedited Procedures for Processing Sovereign Guaranteed Operations and Substantial Changes to Loans in Execution. Operational response to COVID-19 pandemic.

follows: (i) conduct fiduciary oversight visits to verify the monitoring work done by the National Division of Evaluation and Monitoring (DINEM) of MIDES, the reconciliation process for the resources transferred and used with the financial unit of MIDES, as well as the audits by the Audit Office of the Republic (TCR) as part of its preventive interventions for transfer payments; as part of the strengthening supported by the project, a diagnostic assessment of the MIDES information system will also be done to automate the process of beneficiary registration, tracking, and payment; and (ii) designate focal points at each entity, to facilitate the management of each one's obligations and responsibilities, identified in detail in the project [Operating Regulations](#).

D. Other key risks and issues

- 2.4 A medium-level development risk in achieving the outcomes planned for this operation is that the duration of the pandemic or additional outbreaks may complicate the economic recovery, making it necessary to maintain or even increase compensatory or preventive measures beyond the time currently anticipated by the Uruguayan government. For example, if the slowdown of the country's economy caused by COVID-19 is prolonged, this may lead companies to cut additional jobs, even those of workers already receiving unemployment insurance benefits because of furlough or reduced working hours, affecting the expected outcome of sustaining employment once the subsidy ends. Since the decree declaring the national health emergency has no fixed date, it establishes a regulatory framework that would allow these temporary measures to be extended.
- 2.5 **Sustainability.** This operation supports the efforts of the Government of Uruguay to mitigate the economic impacts on the most vulnerable population. The financing represents a fraction of the financial and social effort being made by the country amid the pandemic. In addition, the implementation of a single window for MIDES and BPS to manage beneficiaries is a lasting measure with the potential to streamline the delivery of benefits and lower administrative costs.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Eastern Republic of Uruguay, and the project executing agency will be the Ministry of Economy and Finance (MEF), acting through its Secretariat Office (DGS).
- 3.2 The Secretariat Office (DGS) of the MEF will be responsible for general project coordination. The DGS director or whomever the MEF appoints as its representative will act as project coordinator and will have support from the multilateral agency relationships unit and the project coordination unit (PCU).³⁷ MEF, acting through the DGS, will be responsible for the project's management and general coordination. Its tasks will include: (i) maintain formal communication with the Bank; (ii) provide justification for use of the loan proceeds and submit disbursement requests to the Bank; (iii) manage the external audit; (iv) coordinate

³⁷ The PCU is responsible for the fiduciary aspects of the projects executed by MEF, currently loans 3161/OC-UR and 4705/OC-UR.

monitoring and evaluation activities; (v) deliver the consolidated operational planning for the project (including the Operating Regulations), financial plan, multiyear execution plan, and status reports to the Bank; and (vi) coordinate the execution of activities with the Ministry of Social Development (MIDES) and the Social Security Bank (BPS) and monitor budget execution involving proceeds of the loan.

- 3.3 The Ministry of Social Development (MIDES) and the Social Security Bank (BPS) will directly implement the project activities as follows: (i) MIDES will be responsible for Subcomponent 1.1 and Component 2 of the operation; and (ii) BPS will be responsible for the activities under Subcomponent 1.2 and Component 3 of the operation. MIDES and BPS will prepare and deliver the financial planning for the activities under their responsibility (including the financial plan and multiyear execution plan), as well as status reports, and other documentation to the PCU in a timely manner, so that the PCU can consolidate the information and prepare disbursement requests, justifications of the use of resources, and other reporting for delivery to the Bank. MIDES and BPS will cooperate with the MEF to prepare the project assessments and audits. The MEF will transfer the loan proceeds to MIDES and BPS so they can conduct the activities under their responsibility. The project Operating Regulations will describe in detail the operational aspects of coordination among the MEF, MIDES, and BPS, as well as other aspects of execution.
- 3.4 **Execution and administration.** The project Operating Regulations will describe the execution mechanism, which will include: (i) the participation of MIDES, BPS, and the MEF in the project with their responsibilities, processes, and authority; (ii) the technical and operational arrangements for execution; (iii) the eligibility criteria for project beneficiaries; (iv) the programming, monitoring, and outcome evaluation mechanism; and (v) the operational procedures.
- 3.5 **Special contractual conditions precedent to the first disbursement of the financing: (i) the project Operating Regulations have entered into force on the terms approved by the Bank; (ii) the executing agency has designated the project coordination unit (PCU), including the project coordinator, under the Secretariat Office (DGS) of the Ministry of Economy and Finance (MEF); and (iii) the executing agency has signed subsidiary agreements with the Ministry of Social Development (MIDES) and the Social Security Bank (BPS) for execution of the project resources and activities under the responsibility MIDES and BPS.** The first condition is justified by the Bank's experience in the region, indicating that approval of the Operating Regulations prior to the first disbursement contributes to the internal organization of executing agencies during project implementation. The second condition is regarded as necessary to ensure that the executing agency has a coordinator appointed in a timely manner, prior to receiving the resources to begin investment activities. The last condition is necessary to establish the responsibilities of each of the entities involved in project execution.³⁸

³⁸ Preliminarily, the [draft Operating Regulations](#) stipulate the scope of the subsidiary agreements.

- 3.6 **Retroactive financing.** The Bank may retroactively finance US\$62.5 million (50% of the loan amount) in eligible expenditures incurred by the borrower prior to the loan approval date for extraordinary payments of the “Social Uruguay” card (TUS), the Family Allowances – Equity Plan (AFAM-PE), the Emergency Food Basket program, and unemployment insurance for furloughs and reduced working hours, provided that requirements substantially similar to those established in the loan contract have been met, and procurement processes are consistent with the Core Procurement Principles. For reference, this amount would make it possible to finance the transfers to all beneficiaries of the TUS, the AFAM-PE, the Emergency Food Basket program, and unemployment insurance for three months in their partial and flexible modalities. Such expenditures must have been incurred on or after 13 March 2020, when a national health emergency was declared in Uruguay. Even though this predates the project officially entering the pipeline (document GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified as of that date, given the exceptional circumstances surrounding the global health emergency.
- 3.7 **Procurement and contracting.** Procurements financed in whole or part with Bank resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15), or the policies in effect at the time of execution.
- 3.8 **Disbursements.** Project disbursements will be principally through reimbursement of eligible expenditures made with own resources, although advances of funds based on liquidity needs are also a possibility. Accessing a new advance of funds will require justification of at least 80% of the cumulative balance of previous advances. Advances will be accounted for as established the Financial Management Guidelines for IDB-financed Projects (document OP-273-12), as superseded, and the Fiduciary Agreements and Requirements (Annex III).
- 3.9 **Audits.** Throughout the loan disbursement period, the MEF will deliver the project’s annual audited financial statements to the Bank within 120 days after the close of the fiscal year. The audit may be performed by the Audit Office of the Republic (TCR) or by a Bank-eligible independent audit firm. Given the nature of this type of project, the type of report required will be a special-purpose financial audit and/or a reasonable-assurance audit. The scope of the report will include both the executing agency and the activities implemented by MIDES and BPS under the project. Audit costs will be financed with the project resources. Determination of the scope and related considerations will be governed by the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) and the Audited Financial Reports and External Audit Management Handbook. To avoid duplication of financing, these audits will determine, among other things, whether expenditures have been submitted for recognition to other financiers contributing to the social programs supported by the Bank.
- B. Summary of arrangements for monitoring results**
- 3.10 **Monitoring.** The executing agency will be responsible for implementing the [monitoring and evaluation plan](#) with input from MIDES and BPS in reference to their respective components and subcomponents. In light of the crisis, the main

monitoring tool will be the Results Matrix. The main sources for tracking impact, outcome, and output indicators will be the administrative records of the programs. MIDES and BPS are responsible for the administrative records of the TUS, the AFAM-PE, the Emergency Food Basket program, and unemployment insurance, which they will forward to the executing agency under the subsidiary agreements to be signed between them and the MEF. The main reporting tool will be the progress monitoring report, which will use the project's annual and semiannual reports as its main sources of information.

- 3.11 **Evaluation.** The project evaluation will look at the project's contribution to achieving the objective of supporting minimum income and employment levels for those affected by the coronavirus in the immediate period and during the recovery. The evaluation methodology will be a "before and after" analysis of specific indicators. Essentially, this methodology compares the level of the indicators before and after the intervention in the same area or affected units on the assumption that changes in level are a result of the intervention. In the context of COVID-19, given that the condition "without the project" cannot be properly approximated by the "before," given the rapid and marked deterioration in indicators as a result of the pandemic, the evaluation will compare the "after" values to what could be expected in the absence of the measures, based on trends and theoretical models or evidence available from other countries where measures have not been implemented. For the purpose of attributing the observed results to project intervention, the quantitative analysis will be supplemented with qualitative evidence and a review of the theory of change supported by relevant evidence of the effectiveness of similar interventions in comparable contexts.

Development Effectiveness Matrix		
Summary		UR-L1172
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#) -Beneficiaries of employment support initiatives (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		The project supports directly the national priority derived from the National Health Emergency related to the COVID-19 pandemic (1.2)
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		6.5
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	IDB support on adapting the PROSPERA platform to simulate social impacts of the pandemic and effectiveness of cash transfers to mitigate them.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Assessment Note:

The general objective of the operation is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. To achieve this goal, the proposal sets the specific objective to support ensuring minimum income levels and employment for those affected by COVID-10 in the immediate period and during the recovery. The document includes a description of the COVID-19 impact on the country on health and restrictions to economic activity.

The proposal identifies around 9 percent of the population to face income levels under the poverty line in 2019 and an unemployment rate of 10 percent in 2020 (INE, 2020). The proposal identifies proposes to support three segments of the population. First, the proposal identifies 225 thousand households living in extreme socioeconomic vulnerability which benefit by the Social Uruguay Card (Targeta Uruguay Social, TUS) or by the Family Allocations of the Equity Plan (Asignaciones Familiares del Plan de Equidad, AFAM-PE) directed to households with minors (ECH, 2019). Second, the proposal identifies 243 thousand informal workers with no benefits by other programs (MIDES, 2020). Third, the proposal identifies formal salaried workers in the private sector affected by unemployment out of which 194 thousand have requested assistance (BPS, 2020). The project proposes cash transfers to ameliorate the situation.

The economic analysis estimates a net present value of US\$84.4 million. The main assumptions behind the calculation of the benefits are: (i) transfers have a multiplier effect on the economy as they increase demand and stimulate productive capacity, (ii) improved consumption decreases school dropouts, protecting human capital, and (iii) avoiding layoffs retains worker's human capital. The sensitivity analysis shows positive returns when considering changes on assumptions regarding intervention effectiveness or the discount rate.

Monitoring is based on administrative records and reports by MIDES and BPS. The ex post evaluation to verify the achievement of objectives relies on a reflexive methodology complemented by a qualitative evaluation. The monitoring and evaluation plan for the project includes data collection activities and has an associated budget to carry them out.

There are three fiduciary risks identified, out of which two are classified as medium and one as low. To mitigate the medium risks the proposal suggests visits and support to carry out processes. It also proposes to establish focal points to promote interinstitutional coordination.

RESULTS MATRIX

Program objective:	The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income and employment levels for those affected by the coronavirus in the immediate period and during the recovery.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Base year	Final target	Means of verification and responsibility	Comments
General objective: To contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19.						
1. Households protected from falling below the poverty line.	Percentage points	0	February 2020	1	2020 Ongoing Household Survey (ECH), Ministry of Social Development (MIDES), and IDB	Calculation methodology: The difference between (A) the estimated percentage ¹ of households below the poverty line at the end of the analysis period if extraordinary transfers for the Uruguay Social card (TUS), the Family Allowances – Equity Plan (AFAM-PE), and the Emergency Food Basket programs had not been implemented; and (B) the percentage of households below the poverty line at the end of the analysis period.
2. Formal jobs retained in the private sector. ²	Percentage points	0	February 2020	2	Administrative records from Uruguay's Social Security Bank (BPS), BPS and IDB.	Calculation methodology: The difference between (A) the percentage of formal employment relationships covered by unemployment insurance in its furlough and reduced hours modalities; and (B) the percentage of formal employment relationships covered by unemployment insurance in these modalities that are not maintained six months after the insurance coverage ends.

¹ The percentage will be based on the net household income from these transfers for households that received them or meet the criteria to receive them. The beneficiaries of the Emergency Food Basket program will be imputed using a simulation based on the eligibility criteria and the profile of such beneficiaries according to the available administrative information.

² This indicator is associated with human capital retention by businesses in the medium term, related to implementing unemployment insurance, including flexibilization measures.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline date	Final target (2020)	Means of verification and responsibility	Comments
Specific objective: To support minimum income and employment levels for those affected by the coronavirus in the immediate period and during the recovery.						
1. Households in the first and second income quintiles receiving extraordinary transfers.	%	0	March 2020	90	2020 ECH, MIDES, and IDB	Average number of households in the first and second income quintiles receiving extraordinary transfers from the TUS or AFAM-PE programs from March to December 2020.
2. Households in the first and second income quintiles with women heads of household receiving extraordinary transfers.	%	0	March 2020	90	2020 ECH, MIDES, and IDB	Average number of households in the first and second income quintiles with women heads of household receiving extraordinary transfers from the TUS or AFAM-PE programs from March to December 2020. Gender tracking indicator.
3. Persons without formal jobs and not benefitting from preexisting social assistance programs receiving extraordinary transfers.	%	0	March 2020	30	2020 ECH; administrative records, MIDES and IDB	Denominator: Monthly average number of persons eligible to receive Emergency Food Basket benefits from April to December 2020, estimated based on the 2020 ECH. Numerator: Monthly average number of persons receiving Emergency Food Basket benefits from April to December 2020, according to administrative records from MIDES.

Indicators	Unit of measure	Baseline	Baseline date	Final target (2020)	Means of verification and responsibility	Comments
Milestone 3: Beneficiaries of the Emergency Food Basket program who had contact with the MIDES programs or services at some point.	Persons		March 2020		MIDES administrative records, MIDES	Based on individualized records of benefits (transfers and services) provided by MIDES.
4. Women without formal jobs and not benefitting from preexisting social assistance programs receiving extraordinary transfers.	%	0	March 2020	30	2020 ECH; administrative records, MIDES and IDB	Denominator: Monthly average number of women eligible to receive Emergency Food Basket benefits from April to December 2020, estimated based on the 2020 ECH. Numerator: Monthly average number of women receiving Emergency Food Basket benefits from April to December 2020, according to administrative records from MIDES. Gender tracking indicator.
Milestone 4: Women beneficiaries of the Emergency Food Basket program who had contact with the MIDES programs or services at some point.	Persons		March 2020		MIDES administrative records, MIDES	Based on individualized records of benefits (transfers and services) provided by MIDES.
5. Formal jobs in the private sector shielded from being lost.	%	0	February 2020	3	Administrative records, BPS and IDB	Calculation methodology: The difference between (A) the percentage of formal employment relationships covered by unemployment insurance in its furlough and reduced hours modalities; and (B) the percentage of formal employment relationships covered by unemployment insurance in these modalities that are not maintained six months after the insurance coverage ends.

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Final target	Means of verification and responsibility	Comments
Component 1. Protection using existing cash transfer programs						
1.1. Extraordinary transfers of the TUS.	Transfers	0	February 2020	381,386 (2020)	Administrative records, MIDES	Transfers counted based on TUS beneficiary households. Beneficiary households could also receive AFAM-PE benefits for four months.
Milestone 1.1: Extraordinary transfers of the TUS to households with women heads of household.	Transfers	0	February 2020		Administrative records, MIDES	Transfers counted based on beneficiary households for four months. Gender tracking indicator.
1.2. Extraordinary transfers of the AFAM-PE.	Transfers	0	February 2020	536,689 (2020)	Administrative records, MIDES	Transfers counted based on beneficiary households for four months.
Milestone 1.2: Extraordinary transfers of the AFAM-PE to households with women heads of household.	Transfers	0	February 2020		Administrative records, MIDES	Transfers counted based on beneficiary households for four months. Gender tracking indicator.
1.3 Digital Single Window operational for identification, tracking, and recertification of cash transfer program beneficiaries.	System	0	June 2020	1 (2021)	Operational assessment report of system performance, MIDES	The system is considered operational, once the first user has generated a report.
Component 2. Protection for the vulnerable population not on the rolls of existing transfer programs, working in the informal sector						
2.1. Transfers from the Emergency Food Basket program.	Transfers	0	February 2020	1,002,015 (2020)	Administrative records, MIDES	Transfers counted based on the number of beneficiaries for five months.
Milestone 2.1: Transfers to women from the Emergency Food Basket program.	Transfers	0	February 2020		Administrative records, MIDES	Transfers counted based on the number of women beneficiaries for five months. Gender tracking indicator.

Outputs	Unit of measure	Baseline	Baseline year	Final target	Means of verification and responsibility	Comments
Component 3. Protection for the vulnerable population working in the formal sector						
3.1 Transfers for unemployment insurance.	Transfers	0	February 2020	371,613 (2020)	Administrative records, BPS	Transfers counted based on the number of beneficiaries in the partial and flexible modalities for eight months.

Country: Uruguay
Cofinancing: No

Sector: SPH

Project number: UR-L1172

Year: 2020

Fiduciary Agreements and Requirements

Executing agency: The Eastern Republic of Uruguay, acting through the Ministry of Economy and Finance (MEF).

Project name: Emergency Support for Vulnerable Populations Affected by Coronavirus

I. Fiduciary Context of the Executing Agency

1. Use of country systems in program¹

Budget	<input checked="" type="checkbox"/>	Reports	<input checked="" type="checkbox"/>	Information system	<input type="checkbox"/>	NCB	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	Internal audit	<input type="checkbox"/>	Shopping	<input type="checkbox"/>	Advanced NCB	<input type="checkbox"/>
Accounting	<input checked="" type="checkbox"/>	External control	<input checked="" type="checkbox"/>	Individual consultants	<input checked="" type="checkbox"/>	Consulting firm	<input type="checkbox"/>

2. Fiduciary capacity of the executing agency

The borrower is the Eastern Republic of Uruguay, and the executing agency will be the Ministry of Economy and Finance (MEF), acting through its Secretariat Office (DGS), with support from the project coordination unit (PCU). The technical implementation of the project will be by the Ministry of Social Development (MIDES) and Uruguay's Social Security Bank (BPS), the roles and responsibilities of which will be established in a subsidiary agreement to be signed with the MEF.

In preparation for this project, there was a desk review² of these three entities, with respect to the management of social programs known as the "Social Uruguay" card (TUS), the Family Allowances – Equity Plan (AFAM-PE), the Emergency Food Basket program, and unemployment insurance. This analysis revealed a satisfactory level of development in their institutional capacity. These three entities have established administrative structures and procedures supported by information systems that enable them to systematize records, apply eligibility criteria, and make payments to beneficiaries. However, specific situations were identified that need to be addressed to ensure effective project execution. They are detailed below.

The DGS will be responsible for the project's fiduciary activities, which the PCU will implement and manage. The PCU handles all fiduciary matters for MEF projects financed by international organizations. This unit has extensive experience with the implementation of Bank-financed investment projects. It is currently executing the Program to Modernize Public Financial Management (loan 3161/OC-UR) and the Budget and Financial Management Program (loan 4705/OC-UR).

¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of validation by the Bank.

² Informational meetings with officials from these entities and document review.

3. Fiduciary risks and mitigation measures

Fiduciary risk: High ☐; Medium ☒ ; Low ☐

Risk	Risk level	Mitigation plan
Potential inconsistencies or errors in the personal data of beneficiaries as a result of manual processing by MIDES in exchanging and/or validating database information for the extraordinary transfers under the "Social Uruguay" card (TUS) and Emergency Food Basket programs.	Medium	Conduct fiduciary oversight visits to verify the monitoring work done by the National Division of Evaluation and Monitoring (DINEM) of MIDES, the reconciliation process for the resources transferred and used with the financial unit of MIDES, as well as the audits by the Audit Office of the Republic (TCR) as part of its preventive interventions for transfer payments; as part of the strengthening supported by the project, a diagnostic assessment of the MIDES information system will also be done to automate the process of beneficiary registration, tracking, and payment.
Potential fiduciary management delays because of the additional workload that executing this project represents for the MEF project coordination unit.	Low	
Interagency coordination among the MEF, MIDES, and BPS, which could cause delays in resource transfers and accountability reporting to the Bank.	Medium	Designate focal points at each entity, to facilitate the management of each one's obligations and responsibilities, identified in detail in the project Operating Regulations.

II. Considerations for the Special Provisions of the Contract

Exchange rate. For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(ii). To determine the equivalency of the expenditures incurred in local currency chargeable to the loan proceeds (reimbursement of expenditures), the agreed-upon exchange rate will be the one in effect on the effective date of the payments.
External audit. The financial statements will be delivered within 120 calendar days after the close of the fiscal year. The last such report will be delivered within 120 days after the date stipulated for the last disbursement of the loan. The scope and related considerations will be governed by the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) and the Audited Financial Reports and External Audit Management Handbook.

III. Agreements and Requirements for Procurement Execution

Exceptions to policies and guidelines

There are plans to engage nonconsulting services and individual consultants. These procurement processes are set out in the procurement plan included as an annex and will be conducted pursuant to the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15).
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Retroactive financing³	<ul style="list-style-type: none"> The Bank may retroactively finance US\$62.5 million (50% of the loan amount) in eligible expenditures incurred by the borrower prior to the loan approval date for extraordinary payments of the “Social Uruguay” card (TUS), the Family Allowances – Equity Plan (AFAM-PE), the Emergency Food Basket program, and unemployment insurance for furloughs and reduced working hours, provided that requirements substantially similar to those established in the loan contract have been met, and procurement processes are consistent with the Core Procurement Principles. For reference, this amount would make it possible to finance the transfers to all beneficiaries of the TUS, the AFAM-PE, the Emergency Food Basket program, and unemployment insurance for three months in their partial and flexible modalities. Such expenditures must have been incurred on or after 13 March 2020, when a national health emergency was declared in Uruguay. Even though this predates the project officially entering the pipeline (document GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified as of that date, given the exceptional circumstances surrounding the global health emergency.
Additional procurement support	<ul style="list-style-type: none"> Not applicable.
Alternative procurement arrangements	<ul style="list-style-type: none"> Not applicable.
Projects with financial intermediaries	<ul style="list-style-type: none"> Not applicable.
Procurement agents	<ul style="list-style-type: none"> Not applicable.
Direct contracting	<ul style="list-style-type: none"> No direct contracting is anticipated.

Operating expenses: <input type="checkbox"/> <u>Not applicable</u>	Domestic Preference: <input type="checkbox"/> <u>Not applicable</u>
General project procurement supervision method: There are plans to engage nonconsulting services and individual consultants, using the following supervision methods. On 26 February 2020, the Bank’s Board of Executive Directors validated the country procurement system, which is being implemented. Once established, this mechanism can be used to review the procurement plan.	
Supervision method: Ex ante	For: Nonconsulting services

³ Pursuant to the Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (document GN-2259-1) or the equivalent policy in effect at the time of the operation.

IV. Financial Management Agreement and Requirements

<p>Programming and budget</p>	<p>AFAM-PE and TUS programs</p> <p>As part of the five-year national budget, as an agency of the central administration, MIDES follows the guidelines of the MEF and the National Budget and Planning Office to allocate the operating budgets for the AFAM-PE and TUS social programs. For the AFAM-PE, given that BPS is its financial operator, the budget is transferred to that entity, enabling it to use the resources.</p> <p>The project's budget management is conducted through Uruguay's Integrated Financial Information System (SIIF).</p> <p>Emergency Food Basket program</p> <p>The budget for this benefit is managed through the COVID-19 Fund under the responsibility of MEF. This corresponds to a supplementary budget line in the budget allocated to operate MIDES. Using the SIIF, MIDES will assign a sufficient budget to operate the Emergency Food Basket program.</p> <p>Unemployment subsidy</p> <p>BPS manages unemployment insurance through allocations from general government revenue, which are included in the national budget. These allocations are processed annually.</p>
<p>Resource flow and financial execution</p>	<p>TUS program</p> <ul style="list-style-type: none"> • MIDES executes the "Social Uruguay" card (TUS) with its own budgetary and financial resources. Users receive benefits through a card that they can use at a network of authorized merchants. • Beneficiaries are added to the TUS program through visits from MIDES technical staff or by registering in local offices. The eligibility of beneficiaries is validated by applying the critical hardship index, using a system known as QFlow. • The TUS Department, which reports to DINEM, is responsible for updating databases. On a monthly basis, it prepares a list of beneficiaries and submits it to Banco de la República Oriental del Uruguay [Bank of the Eastern Republic of Uruguay] (BROU). At the same time, a cash transfer is made. • Based on instructions from MIDES, BROU credits benefit amounts to the cards of users authorized to receive them. • For more information, see https://www.gub.uy/ministerio-desarrollo-social/politicas-y-gestion/programas/tarjeta-uruguay-social. <p>AFAM-PE program</p> <ul style="list-style-type: none"> • The Family Allowances – Equity Plan (AFAM-PE) is a benefit under the responsibility of MIDES and BPS. Users receive this benefit through transfers into their bank accounts. • Beneficiaries are registered with an affidavit completed in person at a BPS office or through visits from representatives of the National Division of Evaluation and Monitoring of MIDES. These representatives send the information to BPS for consolidation in a single database in the Economic Benefit Management System. A validation algorithm is run in this system to validate the data using critical hardship index criteria and others, to verify eligibility for benefits. The Benefits Management Office is responsible for these processes. • A list of beneficiaries is prepared monthly, verifying that they meet the criteria to receive benefits. This is sent to the Benefit Payment Office, which verifies the data again, searching for conflicts of interest. A monthly list is prepared and sent to the Finance Division of BPS, which processes the payments. • For more information, see https://www.bps.gub.uy/3540/plan_de_equidad.html.

	<p>Unemployment subsidy program</p> <ul style="list-style-type: none"> • This program is executed with financial and budgetary resources from BPS. • Beneficiary applications are submitted by companies or employees and are filed online through the BPS portal. • The Economic Benefit Office of BPS is responsible for registering the applications and verifying requirements so that beneficiaries, based on the applicable category, can be deemed eligible to receive these benefits. The entire process is automated and supported by the Economic Benefit Management System. • Every month, verification is made to confirm whether the conditions for access during the benefit cycle remain valid. • Payments are also generated automatically based on each beneficiary's situation. • For more information, see https://www.bps.gub.uy/4802/subsidio-por-desempleo.html. <p>Emergency Food Basket program</p> <ul style="list-style-type: none"> • MIDES manages this program. However, it is executed with financial and budgetary resources from the COVID-19 Fund of MEF, which the Uruguayan government created in response to the health emergency. These benefits are provided via electronic transfers that can be used through authorized merchants. • Applications are processed electronically with the completion of an affidavit, which is verified to ensure that the person meets eligibility criteria for the benefits. Every record is associated with an identity document and a mobile phone number. • Using an app, beneficiaries receive a verification code in their cellular phones that they can use as a voucher to purchase food from a network of participating merchants. • The breakdown of beneficiaries is sent to MEF, which records the use of resources from the COVID-19 Fund, asks the BROU to transfer funds, and activates the codes assigned to each beneficiary. • MEF and BROU will conduct reconciliations with respect to the use of resources for these benefits. • For more information, see https://www.gub.uy/ministerio-desarrollo-social/comunicacion/comunicados/solicitud-canasta-emergencia-alimentaria.
<p>Treasury and disbursement management</p>	<ul style="list-style-type: none"> • Loan disbursements will be in U.S. dollars, principally in the form of reimbursement of expenditures. Advances of funds may also be used, if the PCU so requests. • The IDB will process disbursement requests and deposit the resources into a single treasury account designated by MEF. • For advances of funds, the PCU will submit a financial plan with estimates of execution for up to six months. Accessing a new advance of funds will require justification of at least 80% of the cumulative balance of previous advances. • MEF will transfer resources to MIDES, BPS, and the COVID-19 Fund as applicable for each benefit covered under this Bank operation. • Justifications of the use of resources will be based on the guidelines of document OP-273-12 and the agreements established in the project Operating Regulations, based on the reports from the various systems that support benefit payments. • The disbursement mechanism will be preferably conducted using electronic methods. However, printed requests could be utilized.

Accounting, information systems, and reporting	<ul style="list-style-type: none"> • The PCU will rely on the SIIF for budget execution and financial and accounting records for project activities. The accounting method will be a modified cash basis, applying International Public Sector Accounting Standards. MEF can also use the SPI system, which integrates with the SIIF and enables the preparation of reports required by the Bank. • The project's financial statements will be: (i) statement of cash received and disbursements made; and (ii) statement of cumulative investments, accompanied by the applicable explanatory notes.
External control	<ul style="list-style-type: none"> • The external audit may be performed by the Audit Office of the Republic (TCR) or by a Bank-eligible independent audit firm. • The executing agency and the Bank will agree in advance on the terms for the audit (scope and deliverables), based on the guidelines of document OP-273-12. Given the nature of this type of project, the type of report required will be a special-purpose financial audit and/or a reasonable-assurance audit. The scope of the auditor's work may include, in addition to the PCU, the operations of MIDES, BPS, and the COVID-19 Fund. • To avoid duplication of financing, these audits will determine whether expenditures have been submitted for recognition to other financiers contributing to the social programs supported by the Bank. • The costs of the audit will be covered with the Bank loan proceeds.
Financial supervision	<ul style="list-style-type: none"> • The financial supervision will include: (i) reviewing the diagnostic assessment of the MIDES systems used to register, evaluate, and determine the beneficiaries of the TUS, AFAM-PE, and Emergency Food Basket programs; (ii) reviewing internal audit reports, external audit reports, and the independent review report on access tests to the system conducted periodically for BPS; and (iii) reviewing the audit report required by the Bank.

V. Relevant Information for the Operation

Policies and guidelines applicable to the operation

Financial management	Procurement
<ul style="list-style-type: none"> • <u>Document GN-2811 (OP-273-12)</u> 	<ul style="list-style-type: none"> • Documents GN-2349-15 and GN-2349-15

Records and files

<p>The executing agency will be responsible for establishing the controls necessary for the safekeeping and integrity of the documentation generated during project execution. The Bank may verify the standards of organization, control, and security of the records at any time.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Uruguay. Loan ____/OC-UR to the Eastern Republic of Uruguay
Emergency Support for Vulnerable Populations Affected by Coronavirus

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Eastern Republic of Uruguay, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the project Emergency Support for Vulnerable Populations Affected by Coronavirus. Such financing will be in the amount of up to US\$125,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2020)